FINANCIAL TIMES

World Business Newspaper http://www.FT.com

MONDAY NOVEMBER 25 1996

Start the week with...

Michael Prowse

A lesson in libertarianism

Page 18

Today's survey

Mobile communications

Separate section

The FT's 12-part series continues Today

Part Two: opportunity knocks

FT Mastering Enterprise

UK government forced to set out Emu strategy

The UK government retreated in the face of an MPs' revolt on Europe by promising a statement by chancellor of the exchequer Kenneth Clarke setting out Britain's approach to negotiations on monetary union. The move came after a weekend of frenetic telephone calls involving prime minister John Major, cabinet members, Conservative party officials and business managers. MPs had accused ministers of trying to stifle debate on Emu by confining scrutiny of important documents to a committee. Page 6

123 killed in hijack crash: Rescuers searched for bodies in the submerged wreckage of a hijacked Ethiopian Airlines Boeing 767 which ran out of fuel and crashed off the Comoro Islands, killing up to 123 people. Fifty-two people, including two of the three hijackers, survived. Page 5

NTT profits rise 64%: Strong demand for data communications contributed to a 64 per cent rise in first-half profits to Y207.7bn ($1.9bn) at NTT, Japan's domestic carrier. Page 21

Royal jeweller Asprey's losses deepen

UK-based luxury retailer Asprey took a £17m ($28.7m) provision for slow-moving stock and unveiled deepening losses. With a further £10m charge taken for rationalisation and reorganisation, pre-tax losses rose from £9.82m to £21.7m. Chief executive Ian Dahl (left), appointed shortly before the group's acquisition a year ago for £243.5m by the younger brother of the sultan of Brunei, said "tough controls" had been introduced. Page 21

Germany backs EU expansion talks: Germany backed a French plan to invite eastern European applicants for membership of the European Union to join a standing conference on EU enlargement. Page 3

Milosevic annuls opposition poll wins: Serbian president Slobodan Milosevic engineered the annulment of an opposition election victory in Belgrade, following a succession of similar annulments in Serbian cities. Page 3

Bhutto welcomed in Punjab: Ousted Pakistan prime minister Benazir Bhutto received a rousing welcome in Punjab province at her first rally since she was sacked by President Farooq Ahmed Leghari. Page 5

Yeltsin attacked over Chechnya: Russian nationalist leaders denounced President Boris Yeltsin's decision to withdraw federal troops from Chechnya and grant almost total autonomy to the separatist region. Page 3

Cemex aims abroad: Cemex, the world's third-largest cement company, said it aimed to double sales and reduce its dependence on operations in its volatile home country of Mexico. Page 21

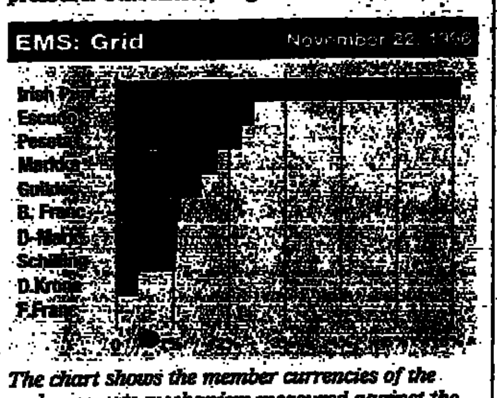
Pharmaceutical sales rise: Sales of pharmaceuticals in the world's 10 biggest markets exceeded $100bn during the first nine months of the year. Sales were 6 per cent higher than for the same period of 1995, research shows. Page 5

Labour pledges on tax doubted: Opinion formers believe Britain's opposition Labour party will raise taxes, despite the efforts of party leader Tony Blair to persuade them otherwise, a survey for the Financial Times shows. Page 6

Portuguese bank seeks post office link: Portuguese banking group Banco Comercial Português hopes to broaden its market by selling financial products in post offices. Page 21

European Monetary System: The Irish punt again strengthened its position as the strongest currency in the EMS grid last week on the back of further gains by sterling. The order of the other currencies in the grid was unchanged, with the French franc again the weakest currency and coming under further pressure. Currencies, Page 27

EMS: Grid November 22, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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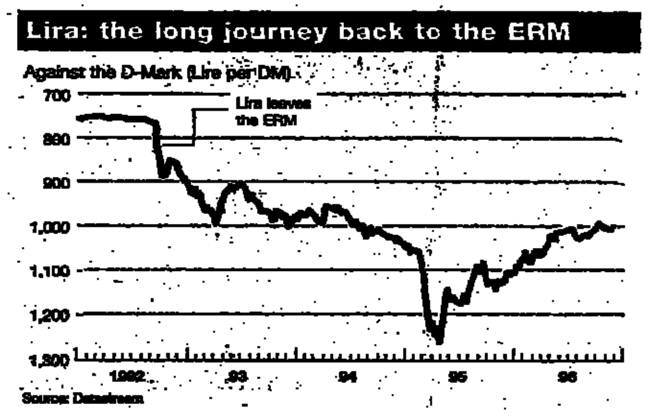
EU ministers set tough level for lira after marathon Brussels talks

Italy wins ERM re-entry

By Lionel Barber in Brussels and Robert Chote in London

Lira: the long journey back to the ERM



European finance ministers and central bank governors agreed last night that the Italian lira should re-enter the European exchange rate mechanism, but at a tougher parity than Italy had wanted.

European Union diplomats said after a marathon meeting in Brussels that Italy was likely to re-enter the system at a central rate of L990 to the D-mark.

But they added that this required final confirmation from national capitals.

The lira was being quoted at L993 to the D-Mark in sporadic worldwide trading late on Sunday night. This was L6.2 up on its Friday London close.

As the meeting stretched into the night, the negotiations were dominated by the Italian and German representatives. The Germans were reported to have offered L990 as a compromise figure which the Italians finally accepted.

An Austrian diplomat said earlier that 14 of the 15 EU countries had agreed that the lira should enter the ERM at a central exchange rate stronger than L1,000 to the D-mark, with several favouring a rate between L980 and L990. But Italy had been holding out for a more competitive rate.

The diplomat added that it was essential to reach agreement by the time foreign exchange trading began in Tokyo. He said that if no agreement was reached on Italy's ERM entry by then, "the markets would think that we could never reach the third stage of monetary union".

Two years' membership of the ERM is a precondition for Italy's participation in a single European currency, if the terms of the Maastricht treaty are strictly applied. Central bank officials said Italy should not assume that agreement on its entry rate to the ERM would give it a clear run joining the single currency.

Mr Jean-Claude Juncker, Luxembourg's prime minister and finance minister, said the lira's return to the ERM was a political issue and not simply a question of its entry level: "The problem is whether or not we want to put Italy in a position where it fulfils one of the Maastricht criteria". Officials on the EU's monetary committee had failed to reach agreement on the lira's entry rate at a nine-hour meeting on Saturday.

Italy's opening bid was to suggest a re-entry level of between L1,000 and 1,020 to the D-mark – but France and Belgium argued for a higher level. The opening counter bids were said to range from L950 to L980.

The ensuing stand-off left officials in the committee no option but to request intervention from the EU central bank governors and finance ministers, a monetary official said.

Mr Hans Tietmeyer, president of the German Bundesbank, argued yesterday that the lira should go into the ERM at a relatively strong exchange rate of L970 to the D-mark. Italy pressed for an entry rate of L1,000.

Antonio Fazio, governor of Italy's Central Bank, in Brussels yesterday for the meeting of European Union finance ministers

For the past few weeks, the Bank of Italy has been intervening in the markets to keep the lira at around L1,007 to L1,008 against the D-mark in the hope of entering negotiations with a strong hand. On Friday, the central bank let the lira rise to L996.3.

In London the lira closed at L999.2 to the D-Mark on Friday, unchanged from Thursday but following heavy

Continued on Page 20

Sick man image, Page 2; Italy's Euro-tax, Page 18; Editorial Comment, Page 19; Lex, Page 20

Asset sales expected to fund UK Budget tax cuts

By Robert Chote and Robert Peston

Mr Kenneth Clarke, the UK chancellor, will use sales of government assets to help reduce public spending plans in tomorrow's annual Budget, providing for modest tax cuts and a lower forecast for government borrowing.

In the last Budget before the general election, which must take place by mid-May next year, the chancellor will reduce the control total for core government spending next year by between £1.5bn and £2bn.

Mr Clarke will revise up his forecast for the GDP deflator, which means that if he manages to cut total government spending by £3.5bn it will reduce the real resources available to government departments and not merely claw back the benefits of lower-than-expected inflation.

Mr Clarke is expected to meet demands from Conservative MPs for cuts in the basic rate of tax. He will cut it by a penny to 23p in the pound, and increase to more than £4,000 the band of taxable income at which the lower rate of 20p is paid.

He will also revise down his summer forecast for the public sector borrowing requirement, helped by stronger-than-expected tax revenues.

The financial markets are expected to be reassured if Mr Clarke manages to cut his forecasts for government borrowing. However, if they see the tax cuts as excessive, because they are not paid for by lower public spending, they are likely to pressure the chancellor to raise interest rates again.

Mr Clarke is also likely to forecast that underlying inflation will end next year on target at 2.5 per cent.

He will hope that the cuts in his government borrowing forecast will alleviate pressure from the Bank of England for higher interest rates.

Continued on Page 20

Traders watching, Page 25

Tight Budget backed, Page 26

Talks smooth China and US relations

By Guy de Jonquières and Edward Luce in Manila

Washington and Beijing agree summit framework

China indicated yesterday that its troubled relations with the US, Japan and South Korea were on the mend following a series of bilateral meetings.

US president Bill Clinton and Chinese president Jiang Zemin opened a new chapter in Sino-US relations by agreeing a summit framework for the next two years. Mr Jiang also received invitations for future talks from Mr Ryutaro Hashimoto, Japanese prime minister, and President Kim Young-sam of South Korea during meetings which officials described as "very good".

Meeting on the eve of the annual Asia Pacific Economic Co-operation (Apec) summit in Manila, Mr Clinton and Mr Jiang confirmed a thawing of relations and accepted each other's invitations for state visits. The last US president to visit China was Mr George Bush before the suppression of the pro-democracy protests at Tiananmen Square.

Sino-Japanese relations have been strained by a row over disputed islands in the East China sea, and by Mr Hashimoto's visit to a controversial shrine to Japan's war dead. Mr Hashimoto said earlier this month that his new government, formed after general elections in October, would regard improving relations between Tokyo and Beijing as a priority.

The US and Chinese leaders agreed to seek faster progress in the protracted negotiations on Beijing's bid to join the World Trade Organisation.

After a 90-minute meeting between the leaders, a senior US official said: "Until today there was either miscommunication or a lack of engagement at the highest levels of the Chinese government. We no longer have that concern."

Mr Clinton and Mr Jiang did not discuss details of the WTO negotiations. But both governments portrayed their apparent determination to resolve the issue as an important further advance in their efforts to forge a more pragmatic and flexible relationship.

Mr Clinton stressed that progress in the WTO talks would depend on Beijing offering better market access terms and committing itself to multilateral trade rules, and on how it responds to US concerns about bilateral trade issues, such as copyright violations.

The US president is said to have assured Mr Jiang that, provided these demands were met, Washington was ready to consider Beijing's request that some of its economic sectors be allowed transition periods in which to adjust after WTO entry.

Mr Jiang did not propose any new WTO offer, and Beijing is thought unlikely to want to do so before next autumn's party congress. Washington has made clear that it is ready to allow China time to submit an improved negotiating position.

Mr Clinton warned Mr Jiang that China's treatment of Hong Kong would be closely watched after next year's handover.

Mr Jiang said China was ready to join talks on reaching a peace agreement in the Korean peninsula if Pyongyang agreed to take part.

Observer, Page 19

Apec opt for slow and steady jog, Page 4

Watchdog fears growing commodities manipulation

By Deborah Hargreaves

Regulation to be subject of London talks

The UK's leading financial watchdog says commodities markets are highly susceptible to manipulation – and fears the situation could get worse with more exchanges opening around the world.

The Securities and Investment Board is co-hosting a conference in London today and Tuesday to discuss the problems of regulation. It was arranged in the wake of the Sumitomo copper scandal this year in which the Japanese trading house lost $2.6bn.

Delegates from 18 countries, including China, a leading participant in the copper market, will attend.

"Commodity futures are always susceptible to manipulation," said Mr John Mackeonis, head of derivatives supervision at the SIB. "When you have producers and users cheek by jowl, there is a danger of prices being distorted."

Mr John Barrass, the SIB's head of international relations, said the shift to futures contracts being traded where commodities are produced was a "key issue" which would change the structure of global trading. "We don't want them to make our mistakes," he said.

Many of the countries attending the conference – arranged with the US Commodity Futures Trading Commission and Japan's Ministry of Trade and Industry – are considering setting up new commodity futures exchanges.

Delegates will discuss how to structure new contracts to limit the scope for powerful market participants to corner supplies and the need of regulators to swap information with overseas counterparts.

The ability of regulators to monitor commodity futures has come under scrutiny since the Sumitomo affair, when Mr Yasuo Hamanaka, the Japanese company's chief metals trader, dominated the world copper market for years and ran up losses of $2.6bn before being sacked five months ago.

Regulators have kept up high-level contacts over financial futures where scandals such as the Barings currency debacle have made co-operation vital. But officials have few discussions about commodities.

The regulation of commodity markets in some countries is quite separate from that of securities and financial products. For example, in Canada the grain commission monitors commodities. This means regulators have to get to know a different set of players.

Commodities must be delivered at the expiration of a futures contract and their finite nature makes them more vulnerable to manipulation than, for example, Deutschemarks where the supply is almost limitless.

Most established commodities futures markets were set up in the 19th century and sometimes reflect trade patterns and delivery points of 100 years ago.

"The nature of these

Continued on Page 20

Albania	LEK275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	SK75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp.	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (m'land)	Es285	Turkey	L120,000
Germany	DM4.00	Lebanon	LL8500			UAE	Dh13.00

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

NEWS: EUROPE

Italy keen to leave sick man image behind

More than anyone Mr Carlo Azeglio Ciampi, the Italian treasury minister, staked his prestige upon an early return of the lira to the European Exchange Rate Mechanism (ERM).

For him the lira back inside this strait-jacket represents an historic step towards Italy's recovering financial stability and international credibility.

This step has been high on the 75-year-old former central banker's agenda ever since he agreed to come out of semi-retirement to join the centre-left government of Mr Romano Prodi in May.

The move has a special relevance for him. As governor of the Bank of Italy, the central bank, he helped preside over the birth of the ERM and in September 1992 was still running the bank when the lira was forced – with sterling – to float outside, devaluing heavily.

Having fought hard to to defend a strong lira, the Bank of Italy emerged severely bruised from that débâcle.

Mr Ciampi has since then made no secret of his desire to turn the pages on this bleak chapter, which long left Italy looking the sick man of Europe during four turbulent years.

Just before devaluation in September 1992 the lira had touched L765 against the D-Mark, the prevailing floor level. At one stage in March 1995 under the government of prime minister Mr Lamberto Dini, the Italian currency reached a low of L1,275 against the D-Mark. At Friday's closing, the cumulative devaluation had been reduced to 25 per cent against the benchmark German currency, hovering around L998.

Towards the end of last year, Mr Dini first raised the prospect of re-entry but this was not taken seriously by Brussels because of the weakness of the proposed 1996 budget.

Since the advent of the centre-left government, the lira has gained 8 per cent, in good measure thanks to the high regard of the international financial community for Mr Ciampi as a "super economics" minister (for the first time he combines the treasury and budget portfolios) and his commitment to greater financial austerity.

Although Italian officials were aware of a certain reticence in Brussels about the timing of Friday's application to rejoin the ERM, the government as a whole was willing to take the risk.

French finance minister Jean Arthuis at yesterday's Brussels meeting on the lira *Reuter*

Domestically the centre-left coalition needs to reap the political benefits of being seen to be accepted by its EU partners at the very moment it is asking citizens to contribute to a "Euro-tax" to take part in the first phase of single currency.

It will proved concrete proof that the sacrifice is likely to be rewarded and serve to counter the sceptics who believe Italy cannot make the first core phase of monetary union.

In terms of its EU partners, Italy believes it now has its cards in order for re-entry for three main reasons:

- The 1997 budget had been approved by the chamber of deputies, where the government lacked a clear majority. The budget still has to be approved in the senate, which will take another three weeks, but the outline is unlikely to be altered. The budget itself aims to bring the deficit down next year to close to 3 per cent of gross domestic product, the target figure to be included in the first phase of monetary union.
- Inflation is coming down fast. Last year Italy's inflation at 5.4 per cent was nearly double the EU norm. The current trend is for an annualised 2.5 per cent, close to the EU average.
- Interest rates have fallen back sharply. In the past six months the spread between German and Italian 10-year benchmark bonds has narrowed from over 500 basis points (1/100ths of a percentage point) to well under 200. Given that Italy is running a primary surplus (receipts and spending excluding debt service) of 5 per cent this year and a bigger one next year, the lower cost of debt service from falling interest rates will have a significant impact on future borrowing requirements.

Added to these considerations, the Bank of Italy could not be expected to go on indefinitely intervening to ensure the lira did not appreciate too strongly below L1,000 – the psychological level around which the currency has been hovering over the past six weeks.

The extent to which the central bank has intervened has been carefully guarded but in October alone, according to one market analyst, it was to the tune of $18bn. Without such intervention the lira could probably have strengthened to below L940.

However, the government knew that Italy's powerful business lobby did not wish to see the lira re-enter at anything stronger than L1,000. Mr Giovanni Agnelli, the honorary chairman of Fiat and still the authentic spokesman for business, said at the weekend: "Anything that is above L1,000 is fine, anything below is bad."

Undoubtedly Italian business has profited from devaluation but it is not just this. Britain's exports have grown far more slowly than Italy's though the two countries left the ERM at the same time. Italy's trade surplus – this year expected to be a staggering L60,000bn – is also due to the dynamism of its companies and products.

In reply to French charges that the lira was too cheap, Italian officials claimed their industry was often made a scapegoat for the failure of French industry to become more competitive. Italy's trade surplus with France is less than that with Spain.

Robert Graham

Prodi calls for pensions debate

By John Simkins in Milan

Mr Romano Prodi, Italy's prime minister, called at the weekend for an early national debate on the country's pensions system, which weighs heavily on state expenditure despite partial reform under the previous government.

His demand, however, ran into immediate opposition from the unions, which insist that a review of the pensions law passed last year should not be conducted before 1998 as previously planned.

Mr Sergio Cofferati, general secretary of CGIL, the largest union federation, said data on which to judge the reforms would not be available before then, and the government's stance on pensions was "masochistic".

Mr Prodi's intervention lends weight to the stance of the Treasury, which believes the reform should be renegotiated next year.

The prime minister denied he had avoided tackling the issue in the recent budget negotiations for fear of upsetting the hardline Reconstructed Communism party, on which his Olive Tree alliance depends for support.

But the government does not yet appear to be united on its approach. Mr Vincenzo Visco, finance minister, said on Saturday he believed the pensions review should be conducted in 1998.

Generous provisions by international standards have left the state-run system in chronic deficit, and last year INPS, the national pension fund, required state transfers of L72,000bn ($47.5bn), covering about a quarter of its outgoings.

The reforms agreed last year shifted provision away from the pay-as-you-go method, whereby pensions are paid from contributions by people in work. Benefits are now linked to contributions during the working life.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maravigila, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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EDS embarrassed by Madrid investigation

By David White in Madrid and Norma Cohen in London

EDS, the Dallas-based information technology company, has suffered an embarrassment after Madrid city council announced it was investigating alleged fraudulent activities by the group's sub-contractors in the city.

EDS, which is not under investigation itself, has been responsible since September for processing and collecting all traffic fines in the Spanish capital. It continues to hold the contract but says it has discontinued the services of its sub-contractor, Servico, which is the subject of the inquiry.

However, the announcement comes as EDS faces rising criticism in the UK for cost overruns in a contract it was awarded by the Inland Revenue and for inefficiencies in outsourced information technology contracts for private companies, including Royal Bank of Scotland.

Madrid officials say EDS won the competition for the contract "hands down" against the Anglo-French Sema Group.

Mr Pedro Bujidos, the city's finance chief, said a "scandal" had erupted last month when employees of Servico, a Spanish company sub-contracted by EDS to collect traffic fines from non-payers, denounced a series of irregularities.

A legal probe is under way into allegations that Servico claimed payment for falsely notifying EDS that it had served notices of fines on traffic rule violators. It is understood to have claimed payment from EDS for work that it had not carried out. The council was also conducting its own inquiry, Mr Bujidos said.

Under its contract, EDS's payment is pegged to the amount of fines actually received.

EDS, founded by former US presidential candidate Mr Ross Perot and sold to General Motors, was floated as an independent company last June with shares traded in New York and London.

Barcelona's Socialist mayor to stand down

By Tom Burns in Madrid

Mr Pasqual Maragall, the high-profile Socialist mayor of Barcelona who hosted the 1992 summer Olympic games, abruptly announced at the weekend that he would cut short his term in the city hall and step down in September next year.

The decision is the first clear sign of in-fighting within Spain's Socialist party, defeated in general elections last March by the centre-right Popular party after nearly 14 years in power. The Socialists are to stage a congress next year to define their strategy in opposition and the composition of their leadership.

Mr Maragall, 55 and mayor of Spain's second city, the capital of Catalonia, since 1982, announced his decision at a congress of Barcelona Socialists in which his supporters failed to gain a majority of posts on the local party executive.

Responsible for the extensive urban renewal of Barcelona in the run-up to the 1992 games, as well as for their successful staging, Mr Maragall is one of the most admired big-city mayors in Europe. Although he had said he would not seek re-election when his latest four-year term ends in 1999, he was under considerable pressure to run for office again.

Mr Maragall was one of the very few sitting Socialists mayors re-elected in municipal elections in 1995, when the Popular party made sweeping gains. His departure will be welcomed by the Catalan nationalist party, which runs Catalonia's autonomous government, but has consistently failed to capture Barcelona's city hall on account of Mr Maragall's popularity.

So far there have been only muted calls among Socialists for Mr Felipe González, the former premier, to stand down from the party leadership together with the old guard of Socialists, many tainted by corruption allegations, who served in his governments.

Yeltsin faces flak over troop pullout

By John Thornhill in Moscow

Russian nationalist leaders yesterday denounced President Boris Yeltsin's decision to withdraw all federal troops from Chechnya and grant almost total autonomy to the separatist region as a humiliating capitulation which could lead to the break-up of the Russian federation.

Mr Gennady Zyuganov, leader of Russia's Communist party, which dominates parliament, said a framework political agreement signed on Saturday between the two governments smelled of "Belovezh Two", referring to the 1991 agreement which dissolved the Soviet Union.

Other nationalist leaders accused Mr Yeltsin of "treachery," while Mr Vladimir Zhirinovsky, who leads the ultra-nationalist Liberal Democratic party, said he would back parliamentary moves to prevent the "destruction of the Russian state". In practice, parliament has few powers to overturn the president's strong executive hand.

The nationalists' ire was provoked by an interim agreement, signed on Saturday by Mr Victor Chernomyrdin, Russia's prime minister, and Mr Aslan Maskhadov, his Chechen counterpart, which officially recognised the Chechen government ahead of presidential and parliamentary elections on January 27.

Mr Yeltsin had earlier issued a decree to withdraw the remaining Russian troops from Chechnya ahead of the elections, effectively ceding full control of the north Caucasian territory to the rebel leaders, who had fought the Kremlin to a standstill in a bitter two-year war of independence.

Over the past few weeks, the Kremlin appears to have radically revised its strategy towards Chechnya, abandoning the use of force in favour of attempting to seduce the local leadership with economic incentives.

Mr Boris Berezovsky, a controversial Russian businessman, last month appointed deputy head of the security council, has held several meetings with Chechen leaders offering them special tax and trading privileges.

In turn the Chechen leadership has guaranteed the safety of oil and gas supplies which pass through the region. It controls a vital pipeline which will enable Azerbaijan to transport oil from the resource-rich Caspian sea to western markets via the Russian port of Novorossisk.

Authoritarian Belarus leader has his way

Russian compromise rejected as Lukashenko pushes plebiscite through

Lukashenko after voting yesterday: confident of popular backing with high ratings in the villages Reuter

The provincial village school that served as the polling station in tiny Ratovka yesterday provided a dreary backdrop for the growing political crisis in Belarus.

By early evening, 900 of the 1,300 voting age residents from the settlement of wooden huts had come out in the winter fog for the ex-Soviet republic's contentious referendum on enhancing the powers of President Alexander Lukashenko.

The plebiscite took on added significance after a compromise between the president and parliament, brokered by Russia, last Friday, collapsed at the weekend. Mr Lukashenko declared the referendum result would be binding instead of, as the deal envisaged, consultative.

Parliament, united in adversity, refused to endorse an accord which had created a new constitutional committee packed with Mr Lukashenko's men.

The potential for widening conflict in Belarus has heightened anxiety in neighbouring Poland and Lithuania, both of which crave stability as they seek EU and Nato membership.

The president's long-running conflict with parliament has not been over ideological issues, as neither side supports market reforms, but reflects what is seen as his dictatorial instincts.

The stand-off could come to a head today, after the referendum. A new constitution, if approved, would create a new parliament and court under the president's control and lengthen his term in office by at least two more years.

Yesterday's plebiscite, by by-passing parliament and the country's highest court, violates the 1994 constitution.

But few voters in Ritovka yesterday appeared to mind. Ms Zina Garelchyk, a retired telephone operator, leaned against her rusty bicycle and praised Mr Lukashenko's "struggle for the common people". His opponents in parliament were "just selfish opportunists".

The president's evident charisma and honed political instincts have kept him popular in isolated Belarus, where nostalgia for the Soviet era runs deeper than in most republics that can draw on a national identity.

Mr Lukashenko, in a television address carried on every channel on Saturday night, called the vote "a choice between chaos and anarchy, on one side, and discipline, order and change for the better".

As Larisa Ivanova said after voting near the KGB headquarters in Minsk, the capital, many Belarusans preferred "peace and quiet".

Mr Lukashenko, who rarely travels west and ran a collective farm before sweeping into office in 1994, confidently claims he has the popular will behind him. His approval ratings run high in the villages.

But open political debate does not exist. Mr Lukashenko dominates the media, silences the free press and jails political opponents.

The vote's outcome, at least to the opposition, looks academic. "Everything has been done to falsify the results if they don't make the president happy," said Mr Stanislau Shushkevich, an opposition deputy and Belarus's first post-Soviet leader.

Allegations of fraud have already been lodged, as preliminary voting began on November 9. The president last week sacked the country's highest electoral official for calling the referendum "legal idiocy". No independent observers were at the polls, where fruit stalls and dominating officials evoked the Soviet era of mandatory voting.

Several hundred demonstrators gathered on the square outside the parliament yesterday, carrying national banners and even a European Union flag. One woman forced a copy of the United Nations Human Rights charter on one of the policemen.

The crowd was a mix of young and old, but stayed peaceful, unlike in past weeks. "I've come out to support democracy and fight authoritarian rule," said Mr Anatoly Lobkin, 57.

But Belarusans await tomorrow with anxiety. Demonstrations are expected and an impeachment motion will be taken up. Mr Shushkevich said the opposition, which has been hampered by a lack of charismatic leader and broad popular support, would continue to hold regular parliamentary sessions.

The president might not let them. Last week he said parliament and the higher court would be disbanded once the referendum results were known.

Matthew Kaminski

Thousands protest in Belgrade and elsewhere as a general strike looms. **Laura Silber** reports

Milosevic annuls opposition poll victories

By Laura Silber in Belgrade

President Slobodan Milosevic of Serbia yesterday engineered the annulment of an opposition election victory in Belgrade, following a succession of similar annulments in Serbian cities.

Belgrade university students threatened to launch a general strike today, joining tens of thousands of protesters in Belgrade and industrial centres in Serbia.

A municipal court, which takes its orders from Mr Milosevic, yesterday annulled 43 out of 60 city council seats, according to the opposition Democratic party.

The local electoral commission reversed its earlier decision confirming a landslide victory for the opposition in run-offs for municipal elections.

Yesterday's move was set to provoke a reaction among opposition supporters, who have staged demonstrations calling on Mr Milosevic to allow the opposition coalition Zajedno (Together) to take power in 15 of Serbia's biggest towns, where it claimed victory.

"The decision proves that power cannot be won in Serbia by elections, but by robbery, violence and rebellion," said President Zoran Djindjic, leader of the Democrats, who without the latest court ruling would have been the first non-communist mayor of Belgrade since the second world war.

"If Milosevic is ready to steal the elections in Belgrade, he is ready to trample all democratic institutions. It is a small step from here to shooting at people," Mr Djindjic said before addressing a 30,000-strong crowd of demonstrators gathered in front of his party headquarters in the heart of the Serbian capital.

Opposition parties have called on the west to take a tough line, but have come away disappointed by "lukewarm statements of concern".

The west's failure to announce concrete measures has confirmed fears among coalition leaders that it will turn a blind eye while Mr Milosevic's regime unravels their victory.

Zajedno said it had won 70 seats in the 100-seat city council to secure Belgrade in run-off polls.

Once named by the west as the chief instigator of the war in Bosnia, Mr Milosevic is now a pillar of the Dayton peace agreement reached a year ago. Observers say the west views Mr Milosevic as the sole Serbian guarantor of implementing the Dayton accords.

"Western governments are wrong to see Milosevic as a factor of stability in former Yugoslavia," said Mr Djindjic.

"They must realise that his dictatorship is a time-bomb waiting to explode," he said.

During the war in Bosnia, Serbia, under UN sanctions, was isolated. Since signing the Dayton accords last December, Mr Milosevic has been rewarded and Serbia gradually has been allowed to rejoin the international community.

Mr Milosevic appears to see his new role as a peacemaker as a green light to take whatever steps he wants to preserve his grip over Serbia.

His regime controls all television stations. News of the demonstrations have been blacked out, broadcast only on Belgrade's sole independent radio station, B-92.

EUROPEAN NEWS DIGEST

New French truckers' talks

Mr Robert Cros, the "mediator" in the French truck drivers' dispute, held a first round of talks yesterday afternoon between drivers' unions and employers' representatives.

The transport ministry, which was forced to intervene as drivers' blockades in a number of French regions intensified, said after his formal appointment yesterday that Mr Cros had been charged to reach an accord which balanced the demands of the drivers' union against the economic situation of haulage companies.

Weekend discussions failed to reach a satisfactory conclusion to the dispute, although the employers appeared willing to accept a number of demands, including a reduction in the retirement age from 60 to 55. Mr Cros, a senior civil servant who helped resolve a previous trucking conflict in 1992, was already acting as the transport ministry's representative in discussions.

Truck drivers over the weekend lifted some of their road blocks which have halted or slowed traffic movement, while continuing to prevent access to petrol depots, notably in the south and west of France. Paris has not been affected up till now. *Andrew Jack, Paris*

Greece fights EU-Turkey ties

Greece will put up a tough rearguard action at today's meeting of EU foreign ministers against efforts by the Irish presidency to revive links with Turkey.

Mr Theodoros Pangalos, the Greek foreign minister, said Greece would insist the EU stand by its July 15 statement that Turkey should agree to take the dispute over the Imia islets in the eastern Aegean to the International Court of Justice in The Hague. Greece has blocked Ecu375m ($480m) in EU credits to Turkey because of the dispute.

Today's meeting coincides with a hardening of Greek positions over Turkey and Cyprus, amid expectations of a US initiative early next year to re-unite the island. Mr Pangalos called on the international community to take punitive action against Turkey if it failed to make concessions over Cyprus. Mr Pangalos said the EU and the US should impose sanctions against Turkey, modelled on those enforced in the past against Iraq and Serbia.

Greek-Turkish differences have also caused serious trouble within the Western European Union, the defence arm of the EU. Mrs Tansu Çiller, Turkish foreign minister, has said she will veto the use of Nato equipment by the WEU as long as Greece keeps blocking Turkey's efforts to become a full member of the 10-nation European club. *Bruce Clark and Kerin Hope, Athens*

Public sector strike for Spain

Spain's 2m public employees plan to stage a one-day strike on December 12 to protest against a pay freeze ordered by the centre-right government in an effort to reduce the 1997 budget deficit. The strike call, which will affect civil servants, teachers and employees of state sector companies, including the railways and Iberia airline, follows a weekend protest rally in Madrid.

Mr José María Aznar, prime minister, said the wage freeze would remain because it was a key element of next year's cost-cutting budget, but union leaders have been encouraged by a government climbdown last week over its plans to shut down the loss-making coal industry. Faced by militant miners, it abandoned plans to phase out subsidies to the industry that were included in new legislation for the electricity sector. *Tom Burns, Madrid*

Norway to compensate Jews

Norway is this week expected to announce it will pay compensation for property stolen from Jewish families during the country's war-time occupation by the Nazis.

The expected announcement, at a two-day conference in Oslo of the World Jewish Congress (WJC), follows last month's Austrian government-backed auction in Vienna of paintings and other art treasures looted from the homes of Jewish families.

Mr Edgar Bronfman, chairman of Seagram and president of the WJC, will brief 150 Jewish leaders on the many outstanding restitution issues. He has spearheaded the campaign to set up the committee which is checking whether Swiss banks are still benefiting from Jewish money hidden in dormant bank accounts.

Norway's apparent readiness to compensate the Jewish community for property stolen during the war will increase pressure on the Swiss government to make a financial settlement to resolve a dispute which is damaging its reputation. *William Hall, Zurich*

Germany seeks EU expansion dialogue

By Andrew Gowers in Berlin

Germany wants the European Union to invite applicants for membership from eastern Europe to join a standing conference on EU enlargement from 1998.

Mr Klaus Kinkel, German foreign minister, lent his support to the idea – first proposed by France – at the weekend.

The conference would be set up as an umbrella for the enlargement negotiations.

It would comprise all current EU states, would-be members and the European Commission, with a view to averting divisions between those likely to be able to join in a first wave early in the 21st century and those unlikely to qualify until later.

"We must maintain a dialogue between those who fulfil the requirements and those who do not," Mr Kinkel told a conference in Berlin organised by the Herbert Quandt Foundation and the Financial Times.

"The door must remain open to all parties. This is not a substitute for accession but an accompanying strategy, and the decisive signal that – with all due differentiation – all candidates are on the way into the Union."

The German foreign minister was at pains to assure his audience, which included Mr Alexander Kwasniewski, the Polish president, and Mr Peter Stroyanov, Bulgarian president-elect, that enlargement to the east remained a top priority for the union. But he also underlined, contrary to earlier promises by some EU governments, that even the earliest new entrants would not be able to strike a deal in time to join by the year 2000.

Fears have been expressed among central European states anxious to integrate their economies more closely with their western neighbours that the EU's current preoccupation with monetary union has pushed enlargement down the political agenda.

Tehran and Bonn mend fences

By Frederick Stüdemann

Germany and Iran continued to mend diplomatic fences at the weekend after reports that militant Islamic clergy had threatened public prosecutors in Berlin with death.

Late last week, Chancellor Helmut Kohl sent a letter to President Ali Hashemi Akbar Rafsanjani saying Germany was not responsible for the actions of the country's independent judiciary. Later, Mr Akbar Velajati, Tehran's foreign minister, said he accepted "Germany had not intended to insult".

Relations between Bonn and Tehran have been soured by a trial in Berlin in which public prosecutors have alleged that Iran was responsible for the murder of four Kurdish-Iranian dissidents gunned down in a restaurant in the city in 1992. The allegations were the trigger for a series of demonstrations outside the German embassy in Tehran. Yesterday demonstrators again assembled near the embassy but were prevented by police from approaching the building.

The Iranian parliament yesterday rejected a motion to review relations with Germany. Mr Ali Akbar Nuri, president of the parliament, said the letter from Mr Kohl had made clear that Germany was interested in the continuation of friendly relations between the two countries.

Mr Klaus Kinkel, Germany's foreign minister, said he did not think recent tensions would lead to a break in relations with Iran. But he said it was necessary to remain "cool headed".

Germany's policy of engagement with Iran has unsettled its allies, which see Tehran as a sponsor of international terrorism.

Germany is Iran's largest western trading partner and is seen by Tehran as its channel to the west.

But Germany's stance has met with only lukewarm support from the European Union, while the US has been openly critical of Bonn's policies.

NEWS: INTERNATIONAL

Clinton in drive for IT trade pact

By Guy de Jonquières and Edward Luce in Manila

US President Bill Clinton was last night making an 11th-hour effort to persuade other Pacific Rim leaders to pledge solid support for the success of negotiations to free trade in information technology (IT) products.

Mr Clinton's initiative was taking place on the eve of a summit of the 18-member Asia Pacific Economic Co-operation (Apec) forum in Manila.

It was intended to add substance to a weekend statement by Apec foreign and trade ministers endorsing efforts to reach an IT agreement at next month's World Trade Organisation ministerial conference in Singapore.

Though the US has hailed the ministers' statement as an important advance, it fell short of Washington's earlier objectives – notably by failing to call for the removal of all IT tariffs by the year 2000.

The US has strongly championed such a deal, with support from the European Union, Japan and Canada.

The Apec ministers' statement reflected a compromise struck after Malaysia and other developing countries ruled out any single binding deadline for eliminating tariffs. Mr Clinton hopes to get stronger wording inserted in today's communiqué from the Apec summit.

Mrs Rafidah Aziz, Malaysia's international trade minister, said that she opposed a single deadline for all WTO members on principle, because developing countries needed flexibility to phase in tariff cuts.

Some might need as long as eight years to liberalise trade in these products, she said.

Other Apec countries, including Chile and Indonesia – along with China and Taiwan, which are not WTO members – also fear that freer IT trade would increase US companies' dominance at the expense of their industries. Even Japan says that the US would gain most from a WTO deal.

"Level playing fields are all very well, but nobody talks about the size of the competitors," said Dr Mahathir Mohamad, Malaysia's prime minister. "Your average American is 250lb. I am 160lb."

Ms Charlene Barshefsky, acting US trade representative, said that Washington was ready to take account of difficulties which some WTO members – including the EU – might have in negotiating an IT agreement.

But any exceptions to free trade in the sector must be limited.

She also denied seeking a commitment to the 2000 deadline at the Manila meeting.

Some delegates suggested that Washington had hinted it might bend quite far to secure a WTO deal.

"US representatives made very clear that they could be flexible both on the products covered and on the time frame," said Miss Denise Yue, Hong Kong's trade secretary.

US officials also sought to play down Malaysia's public reservations over the 2000 deadline, saying that the country already had low or zero tariffs on many IT products and had offered to liberalise this trade further in the WTO.

The US says a comprehensive WTO agreement would boost world trade in products including semiconductors, computers, software and telecommunications equipment.

Apec members account for 60 per cent of IT trade, which totals about $500bn a year and is expected to double by the end of the century.

Apec opts for slow and steady jog

Action plan is short on commitments, write Guy de Jonquières and Edward Luce

If progress were measured by the volume of self-congratulatory rhetoric, ministers of the Asia Pacific Economic Co-operation (Apec) forum could count the results of their weekend meeting in Manila as a decisive step towards their goal of freeing all trade and investment in the region by early next century.

Many ministers were more than ready to do just that. Their 10,000-word joint statement lauded individual and collective efforts by Apec's 18 members to lower barriers and enhance co-operation in fields from human resource development to tourism and transport.

Their statement said the official "action plan" spelling out various initiatives was a credible first step towards Apec's two-year-old objective of freeing regional trade by 2010 in industrialised economies and by 2020 in developing ones.

Ms Charlene Barshefsky, acting US trade representative, said the initiatives would yield valuable business opportunities in years to come. She specifically praised liberalisation plans by China and Indonesia, whose trade policies are usually targets of US criticism.

Yet closer examination of the "action plan" suggests a document long on promises and good intentions, but short on concrete commitments to open markets and facilitate trade.

For instance, one of the grouping's collective plans, for an Apec-wide business visa, is embroiled in disagreements about the technology to be used, while only three countries are prepared to consider a parallel scheme for a form of business passport.

The gap between words and deeds is particularly evident in individual governments' proposals voluntarily to liberalise their economies by reducing tariffs and non-tariff barriers, slashing red tape and pursuing regulatory reforms. Though a few, mainly developing, economies have pledged additional specific steps to open their markets faster, most Apec members have done little more than list measures already announced or required by the Uruguay Round world trade agreement.

Almost all governments avoid promising action to free trade in agricultural products or textiles and clothing, among the most highly protected – and politically sensitive – sectors in global and regional trade.

Indeed, the US uses its submission repeatedly to insist that it is already one of the world's most open markets and that some of its Uruguay Round obligations exceed Apec targets. It does not mention recent US laws aimed at penalising foreign investors in Cuba, Iran and Libya, which have been condemned by Apec partners.

Japan's 92-page document, meanwhile, is padded out with lists of its existing customs rules and tariff classifications, and a lengthy resumé of deregulation pledges already announced.

Asked which of its measures were new, Japan's official spokesman managed to come up with a proposal for an Asian technology centre and a plan to extend the permitted use of some English words on clothing labels beyond garments made of silk, wool and cotton.

Government submissions which promise or hint at new measures include:

■ Hong Kong and Singapore, which already have very low tariffs, have pledged to abolish them by 2010, 10 years earlier than required by Apec. Chile has said it is "willing" to do the same and to abolish most non-tariff barriers by that date, while Indonesia plans to cut tariffs to no more than 10 per cent by 2003.

■ The Philippines plans to exceed its Uruguay Round commitments by cutting tariffs, except on agricultural imports, to a uniform 5 per cent rate by 2004. It also aims to eliminate import licensing, lift restrictions on coal imports, free auxiliary maritime services, open retailing to foreign participation and liberalise rules for foreign investment and employment in tourism.

■ China says it will reduce tariffs, non-tariff barriers and foreign investment restrictions further in "the medium to long term". It plans to strengthen intellectual property rights laws and enforcement, and develop mechanisms to enhance market competition.

An independent study of the national action plans, commissioned by the Philippines, Apec's chairman, concludes the US and Japan have offered little more than their Uruguay Round commitments. It says Australia, New Zealand and Canada have shown most commitment to liberalisation among industrialised countries.

It praises the eight members of the Association of South East Asian Nations (Asean) for their liberalising zeal. But it accuses Korea, Taiwan and China of dragging their feet in fulfilling their Apec commitments.

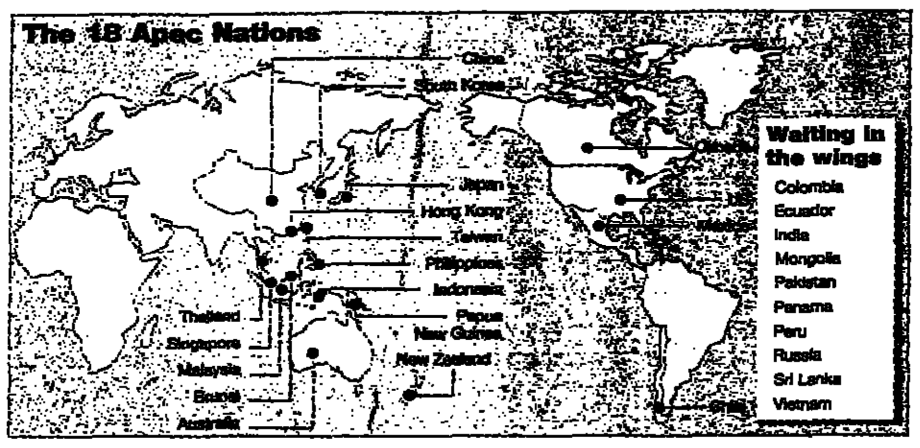
The study seeks consolation in the argument that liberalisation speeds were always bound to differ between countries, and industrialised economies are under less pressure to do much initially as their markets are already relatively open.

Nonetheless, lack of eye-catching liberalisation announcements at this year's meeting and the relatively sedate approach by most Apec governments raise questions about their claims that markets can be opened faster by voluntary action at regional level than through long-winded multilateral negotiations.

Apec has counted heavily on "peer pressure" among its members to prod them into acting faster. But this year's mixed results suggest the process has led many to conclude, after examining others' submissions, they can afford to soft-pedal liberalisation for a while without risking criticism.

It is also unclear how much of a political boost the Manila meeting will provide for next month's ministerial conference of the World Trade Organisation in Singapore. So far, there is little evidence that Apec's members have forged a strong united stand on any important WTO issues.

Leftwing demonstrators burn an Apec sign in Manila yesterday during a protest against the 18-nation talks and the prominent US role in them Reuter



Australia reveals timetable for rail sell-offs

By Nikki Tait in Sydney

Australia's conservative federal government is to go ahead with privatisation of Australian National (AN), the troubled public-sector rail operator, possibly by the middle of next year. It also plans to sell its 40 per cent stake in the National Rail Corporation (NRC), which handles interstate freight.

Details of the rail reform package were unveiled yesterday by Mr John Sharp, federal transport minister.

AN's operations include passenger services on long-distance routes, including the Indian Pacific route running east-west across Australia. Many other passenger train operations in Australia are run by state governments.

Mr Sharp said that tracks linking Australia's capital cities would remain publicly owned, with a single authority established to manage the network. But the federal government intended to ensure the private sector operated the services running on them.

To facilitate the sale by mid-1997, the government will assume AN's debts, and also provide for redundancy payments. "It's about a A$2bn [US$1.58bn] hole, if you take everything into account that's needed to fix the problem," said Mr Sharp. The minister added that AN looked likely to have a loss of around A$250m in the current year.

> 'Reform of rail system will bring more dollars and cents to Australia than any other reform of the transport sector'

Mr Sharp said: "Reforming the rail system... will bring more dollars and cents to Australia than any other reform of the transport sector whether it be maritime, aviation or land."

Privatisation of AN was foreshadowed two months ago when the group sought interest from private-sector buyers for four of its eight business units – including those that build and maintain track, maintain and hire wagons, and provide engineering and fabrication services. But at that stage, no timeframe was put on the eventual sales.

AN's main passenger services are the long-distance Indian Pacific, Overland and Ghan trains. Buyers were not sought for these in September, and Mr Sharp said yesterday the government would continue to operate them if private sector interest was not forthcoming.

The sale of the federal government's 40 per cent interest in NRC – created under a previous set of reforms in the early 1990s – will require agreement from state governments in New South Wales and Victoria, which are also shareholders.

The Victorian government said yesterday it was glad Mr Sharp had provided "clear direction" on the federal government's stance, but said it could not elaborate on what position it would be taking in the intergovernmental talks.

No big trade liberalisation initiatives likely soon, says former US commerce official

'Lack of leadership slowing WTO's pace'

By Quentin Peel in Berlin

No important new initiatives can be expected from the World Trade Organisation in the near future towards the further liberalisation of trade, a top former US trade official warned at the weekend.

Neither the European Union nor the US is prepared to play the sort of leadership role needed to give the global body greater momentum, Mr Jeffrey Garten, the former US undersecretary for commerce, told top government leaders and industrialists meeting at the European Forum in Berlin.

Instead, regional trade groups such as Apec, Mercosur and Nafta, as well as the EU, are likely to become relatively stronger over the coming decade, he said.

But they could become "stepping stones to a much stronger multilateral trading system".

"The WTO is going to be moving very slowly, because there is no major leadership taking it forward fast," Mr Garten told the meeting, jointly sponsored by the Quandt foundation and the Financial Times. "The agenda of the WTO is massive and very complicated."

He also warned that European companies, especially small and medium-sized enterprises, must step up their investment, as well as their trade, in the emerging economies of Asia and Latin America, in order to remain competitive in the global economy.

"American firms have been extremely aggressive in moving into Asia and Latin America," he said. "In the US there has been a massive amount of attention to Mercosur [the regional trade grouping in Latin America] from medium-sized firms. I am not sure that has been the case for European firms."

The same message was repeated by Brigadier-General Lee Hsien Loong, deputy prime minister of Singapore, who called for more European investment in Asia.

"Europe cannot afford to opt out of these opportunities," he told the forum. "European multi-nationals have the organisation and the reach to tap the growth in consumer spending and infrastructure demand, and to invest in the region to broaden their global production base. To be global players, they must have a presence in the fastest growing markets."

He said this was the way both US and Japanese multinationals had grown, by investing in Asia not only to supply Asian markets, but to use the region as a manufacturing base to export to the whole world.

At the same time, he warned Europe and the US against seeking to link non-economic considerations, such as labour standards and human rights, to liberalising markets.

"We need to recognise that the root cause of low labour standards in developing countries is poverty," he said. "However poor or dangerous working conditions are, they are better than being unemployed and starving. The best way to raise labour standards is to help these countries to grow through trade."

NOTICE PUBLISHED BY THE SECRETARY OF STATE FOR TRADE AND INDUSTRY UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant a licence under the Telecommunications Act 1984 ("the Act") to National Transcommunications Limited ("the Licensee") to run international telecommunication systems in the United Kingdom. This notice supercedes the reference to the Licensee in the statutory notice of 18 November 1996 which appeared in this newspaper, in which it was stated that it was proposed to grant a licence to the Licensee without application of the telecommunications code.
2. The principal effect of the licence will be to enable the Licensee to install and run telecommunication systems in the United Kingdom which may be connected to telecommunications systems outside the United Kingdom, and to provide a wide range of international services but not any domestic services (i.e. services involving the conveyance of messages which originate and are subsequently to terminate in the United Kingdom) or mobile radio services. The Licence authorises the connection to a wide range of other systems, including domestic systems and earth orbiting apparatus.
3. The licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under the licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensees' systems as a public telecommunication system.
4. The Secretary of State proposes to grant the licence in response to an application from the Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. He proposes to apply the telecommunications code ("the Code") to the Licensee subject to certain exceptions and conditions throughout the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that the Licensee will have duties:
   (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;
   (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;
   (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
   (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and
   (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
6. The reason why the Secretary of State proposes to apply the Code to the Licensee is that the Licensee will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licence.
7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.
8. Representations or objections may be made in respect of the proposed licence, the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by 23rd December 1996 and addressed to the undersigned at the Department of Trade and Industry, Communications and Information Industries Directorate, 2.03 Red, 151 Buckingham Palace Road, London SW1W 9SS. Copies of the proposed licence can be obtained free of charge by writing to the Department (fax: 0171 215 1721) or by calling 0171-215 1746.

Michael Crosse
Department of Trade and Industry 25th November 1996

Search goes on in air hijack mystery

By Our Foreign Staff

Ethiopian government officials were last night trying to determine the motives of the three men responsible for the world's worst hijacking disaster.

Up to 123 people were killed when an Ethiopian Airlines flight, commandeered shortly after it took off from Addis Ababa airport, ran out of fuel and crashed on Saturday off the Comoro Islands. The aircraft was bound for Nairobi and Lagos.

Two of the hijackers, both believed to be Ethiopian, were among the survivors, but no organisation has so far claimed responsibility.

Rescuers continued to search for bodies in the submerged wreckage, just off the shoreline of the main island of the Indian Ocean archipelago, and 500 yards from a beach hotel, whose guests joined in the rescue operation.

Among those killed was Mohamed Amin, a Kenyan television cameraman widely acclaimed for bringing Ethiopia's famine in 1984 to world attention.

Mr Amin, who worked for Reuters Television and lived in Nairobi, narrowly escaped death when covering the fall of the Ethiopian dictator, Mengistu Haile Mariam, in 1991, when an ammunition dump exploded.

Although he lost an arm, he continued to work as a television journalist and writer, confirming his reputation as one of Africa's top photojournalists.

> 'We escaped from prison. We are against the government. We are hijacking the plane'

Shortly after take-off, the hijackers stormed the cockpit. Speaking in Amharic, the Ethiopian language, they announced over the intercom: "We escaped from prison. We are against the government. We are hijacking the plane. We have an explosive. If anybody moves, we'll explode it," according to a survivor.

The Ethiopian pilot, Mr Leul Abate, 42, who also survived the crash, said one hijacker was wielding a small axe, apparently one kept in the aircraft for use in emergencies. A second carried a small fire extinguisher from the aircraft, wielding it as a weapon.

The third said he had a bomb in one hand, although Mr Leul could not identify the object as such. In his other hand was a bottle of whisky.

They wanted to go to Australia but made no other demands, the pilot said, adding: "The hijackers wanted to make history."

The Ethiopian government, headed by President Meles Zenawi, overthrew the Mengistu regime in May 1991.

Since then he has presided over wide-ranging economic reform and the introduction of a federal constitution, in which power is in theory devolved to nine regional states, based largely on ethnic groupings. In practice, however, authority rests firmly in the hands of the president.

Pharmaceuticals sales rise in world's biggest markets

By Daniel Green

World pharmacy drug purchases January-September 1996 ($m)*

	US	Japan	Germany	France	Italy	UK	Spain	Canada	Belgium	Neths
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Alimentary/Metabolism	7,114	3,526	2,078	1,660	1,085	977	680	490	218	324
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Anti-infectives	4,125	1,930	962	1,259	838	314	444	192	177	89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blood Agents	2,220	1,629	580	718	386	130	226	202	74	91
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Others	8,206	4,839	2,623	1,886	1,366	936	730	822	253	242
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
% Change**	7	2	8	2	11	10	10	4	7	1

Source: IMS International   *Non-hospital market only   **Increase excluding currencies

Sales of pharmaceuticals in the world's 10 biggest markets passed the $100bn mark during the first three quarters of the year.

Nine-month sales amounting to $105.1bn were 6 per cent higher than for the same period of 1995, excluding exchange rate fluctuations, according to figures published today by IMS International, the specialist market research company.

The US remained the largest single market, with sales of $43.3bn, compared with $39.8bn for the seven largest European markets combined. Figures for both the US and Europe's top seven markets were 7 per cent higher than for the first nine months of 1995.

Sales growth was fastest in Italy, the UK and Spain. In Italy, where the market is recovering from successive government price control measures, sales rose 11 per cent to $6.6bn. Sales in the UK and Spain grew 10 per cent to $4.9bn and $3.8bn respectively. Germany remained Europe's largest market with sales up 8 per cent to $12.6bn.

France has traditionally had among the lowest drug prices in Europe, but this has been partly offset by high prescribing levels. Sales were worth $10.9bn for the period, a rise of 2 per cent.

Japan, the second largest market, was one of the slowest growing, thanks to a slow influenza season last winter and government price cuts in the spring. Sales in Japan grew just 2 per cent to $17.2bn.

By medical area, nervous system drugs continued to grow quickly. The sector includes anti-depressant drugs such as Prozac, made by Eli Lilly of the US.

Nervous system drug sales rose 12 per cent to $14.7bn. They now are the biggest medical area in the US, where sales rose 14 per cent to $8.1bn. In contrast, they are less widely used in Japan, where sales rose 3 per cent to $875m.

Another fast-growing sector was blood agents, led by a new generation of drugs designed to lower cholesterol levels. Among the biggest selling cholesterol-lowering drugs are Zocor and Pravachol, respectively made by Merck and Bristol-Myers Squibb, both of the US. Blood agent sales rose 15 per cent to $6.8bn.

Recent launches in the UK meant sales there grew 51 per cent to $130m. Sales in the US, Canada, Germany Belgium and the Netherlands all recorded sales growth of more than 20 per cent for blood agents.

The biggest sellers remain heart drugs and digestive system drugs, although competition has held back growth as patents expire on older drugs.

Heart drug sales grew 3 per cent to $18.4bn while digestive system drug sales grew 8 per cent to $18bn.

Also growing slowly were anti-infective drugs, including antibiotics, still suffering from the mild influenza season. Anti-infective drug sales rose one per cent to $10.3bn.

Welcome for Bhutto in Punjab

Ms Benazir Bhutto, Pakistan's ousted prime minister, yesterday received a rousing welcome in Punjab province, giving an early boost to her campaign to revive her political fortunes, writes Farhan Bokhari in Islamabad.

Thousands of party workers and supporters turned out in Lahore at her first rally since she was sacked by President Farooq Ahmed Leghari on November 5.

But Ms Bhutto faces an uphill task to galvanise her Pakistan People's party and repair the damage caused by a faltering economy and allegations of corruption against her government.

Ms Bhutto yesterday sought to file a petition to the supreme court to challenge her sacking. Two previous petitions were returned.

Ms Bhutto hopes to see the court restore her government and overturn her dismissal order. In 1993, the supreme court restored the government of Mr Nawaz Sharif, former prime minister, five weeks after he was dismissed by the then president, Mr Ghulam Ishaq Khan.

Indecision hits the case for intervention in Rwanda

Michela Wrong finds discord over refugee numbers

The rebels say the numbers are "infinitesimal". The Rwandan government acknowledges there could be up to 150,000. The UN High Commissioner for Refugees (UNHCR) insists there are 700,000.

The US says it can locate only around 230,000.

Ten days after more than half a million Hutus started returning to Rwanda in one of the most dramatic repatriations of its kind, no one, it seems, is certain how many refugees are left in east Zaire. Satellite photos and aerial reconnaissance missions have failed to clarify the issue, with each assessment being cited as evidence by the various parties.

The conflicting claims have led to a paralysis of indecision among countries which originally agreed to contribute to a Canadian-led intervention force to rescue refugees trapped by fighting between Hutu hardliners and Zairean rebels, adding grist to the mill of the growing anti-intervention lobby.

After repeated delays, a weekend meeting in Stuttgart, meant to finalise military details, in effect ducked a decision and offered a menu of options without endorsing any particular strategy. The dispute over figures has given countries such as the US and UK, always hesitant about involvement, a second chance to question an African adventure being urged on them by France and the UN aid agencies.

"Nobody wants to beat up on the UNHCR," said a western diplomat after US military experts briefing aid workers in Kigali revealed a massive 400,000 disparity between the UNHCR estimate of remaining refugees and their own figures, "but no one wants to drop troops into the jungle to find refugees who weren't even there in the first place."

At the start of the crisis, few would have dreamt of questioning the UNHCR's estimate that east Zaire's refugee population totalled 1.2m people, indicating less than half the target community had returned. However, in the last few weeks the agency's credibility has taken some body blows.

When fighting cut off all contact with the camps of north Kivu, aid officials painted apocalyptic visions of what was going on. The relatively healthy condition of the 600,000 refugees who later crossed into Rwanda from north Kivu came as a welcome surprise. New warnings that half a million refugees somewhere in south Kivu now face death risk being dismissed as another case of "crying wolf".

The wrangling over numbers has highlighted the fact that while the UN agencies are calling desperately for military intervention, none has produced concrete proposals for what precisely such a force should do, or how it should avoid repeating the mistakes of the past.

Asked whether she was ready to return to feeding retreating Hutu militiamen, currently burning Zairean homesteads and slaughtering villagers, Ms Catherine Bertini, head of the World Food Programme, said only: "Our responsibility is not to let people starve."

The UNHCR demands intervention but rejects responsibility for strategy. That leaves an array of questions. Given that the Rwandans, who regard intervention as unnecessary, have threatened not to co-operate with incoming troops, where will the operation be based? How would it distribute aid without creating camps neither Zaire nor Rwanda wants re-established? And as the rebels have sworn to oppose incoming troops, would the force be ready to seize Goma and Bukavu airports at the point of a gun?

> Countries with fewer vested interests in the continent will hesitate to shore up a Zairean regime infamous for corruption and brutality

"A military intervention is just a further confusion on top of an already messy situation," says Mr Mark Bowden, East African director for Save the Children. "We haven't seen how it would work and it doesn't seem to have been thought through. You cannot do good to people by force."

With every passing day, contributing nations are registering the dangers inherent in a mission initially labelled as humanitarian, but risking assuming an overtly political role.

Rwanda believes a multinational military operation now would have another agenda: that of paralysing the rebels in control of Kivu, giving the Zairean army a chance to counterattack and shoring up ailing Zairean President Mobutu Sese Seko.

And while France may believe Mr Mobutu is the only man who can prevent the disintegration of central Africa, countries with fewer vested interests in the continent will hesitate to shore up a regime notorious for its corruption and brutality.

Editorial Comment, Page 19

Government forced to make Commons statement to placate MPs

Clarke to set out Emu strategy

By John Kampfner, Chief Political Correspondent

The government yesterday retreated in the face of a backbench revolt on Europe by announcing a highly unusual eve-of-Budget statement by Mr Kenneth Clarke, the chancellor, setting out Britain's approach to negotiations on monetary union.

The decision was made after a weekend of frenetic telephone calls involving Mr John Major, the prime minister, cabinet members, Conservative party officials and business managers.

Initial reaction to the peace offering from Tory MPs was wary but positive. Last week they had accused ministers of trying to stifle debate on Emu by confining scrutiny of important Emu documents to a committee.

Mr John Redwood, who challenged Mr Major for the party leadership last year, described the move as a "welcome concession". He added: "We needed to cross-examine the chancellor before he goes to Brussels and we must now obtain from him the reassurance that no possible controls can be applied to Britain if we do not enter Emu."

One Eurosceptic minister urged like-minded backbenchers to draw a line under the affair. He described the government's conduct towards MPs as "shambolic", but added: "Assuming Ken gives a good account of himself, it's in all our interests to sue for peace."

Mr Clarke's appearance at the despatch box, exactly 24 hours before he presents his Budget, will reinforce the impression of a government panicked into last-minute concessions. However, party officials indicated they had no other choice.

Tory Eurosceptics plan to co-ordinate their questions to Mr Clarke, the cabinet's strongest supporter of a single currency.

Mr Major will chair a meeting of business managers and host a meeting with senior members of the 1922 executive of Tory backbenchers in an attempt to find a suitable date for a full Commons debate.

It was Mr Major's insistence last week that a series of documents relating to Emu be confined to a European scrutiny committee – in defiance of a wall of criticism from all sections of the party – which set off one of the most damaging disputes of his leadership.

Party officials indicated that two days would be found for a debate between Mr Clarke's appearance in Brussels at Ecofin, a meeting of finance ministers, on December 2, and the summit of EU heads of government in Dublin on December 13.

Backbenchers had feared the government would try to sneak through the Commons a motion taking note of EU documents on three elements of Emu negotiations – the status of the euro currency, the stability pact applying strict controls on Emu members, and a new exchange rate mechanism.

Mr Ian Lang, trade and industry secretary, added to the confusion by suggesting a debate could be held as early as next Friday. Downing Street said later his remarks had been misinterpreted.

Colleagues of Mr Clarke said he would use today's statement to "knock on the head" suggestions that he would agree to any measures at Ecofin that would be binding on the UK if it stayed out of Emu.

Britain allays unionists' fears on Ulster talks

By John Murray Brown in Dublin and John Kampfner in London

The British government moved yesterday to reassure Northern Ireland unionists that Sinn Féin would not be allowed to join talks on the province's constitutional future on a basis of a tactical ceasefire by the IRA, its military wing.

However Mr Michael Ancram, Northern Ireland minister, made clear the door remained open for Sinn Féin by again refusing to set precise criteria for judging a renewed ceasefire declaration "credible and dependable".

Talk of a period of "quarantine and decontamination" for the IRA was not "relevant". Mr Ancram said the IRA would be tested by their deeds as much as their words – an apparent warning that ministers will take into consideration so-called "punishment beatings" of petty criminals by the IRA, as well as intelligence reports of logistical preparation and training for acts of terrorism, which they say continued throughout the first ceasefire.

Mr John Hume, leader of the moderate nationalist Social Democratic and Labour party, predicted that if Mr Major responded positively to Sinn Féin's demands, the IRA would reinstate its ceasefire, which ended with February's bomb in London's Docklands.

Mr Hume, who has acted as intermediary between the government and Sinn Féin, dismissed as "a load of nonsense" unionist fears that the government was reneging on its assurances about Sinn Féin's admission.

Amid continuing reports that the IRA is preparing for strikes against security targets if the current contacts do not earn Sinn Féin a place at the negotiating table, Mr Major has shown reluctance to alienate the unionists, whose support is so vital for his government's survival in Westminster.

Finance initiative seen as 'welcome innovation'

By Nicholas Timmins, Public Policy Editor

The UK government's private finance initiative – where private sector money is used to fund public sector capital investments – is a "welcome innovation" which has the potential to increase the efficiency with which public services are provided, the International Monetary Fund has concluded.

But claims that it would create additional investment were illusory, and the assumption that it would increase efficiency "must be taken largely on faith". It remained possible it would distort public investment decisions. Continued delays in getting schemes off the ground could adversely affect investment in public services. And proper monitoring of the costs of PFI projects over their lifetime was "critical" if the initiative was not to be seen merely as a "buy-now-pay-later sleight of hand".

The IMF's findings, seen by the *Financial Times*, come from its forthcoming scrutiny of the UK economy.

The broad approval will come as welcome relief to Mr Kenneth Clarke, the chancellor of the exchequer, who will have to concede tomorrow that this year's planned spend of £1.9bn ($3.2bn) is set to undershoot, largely because the national health service had yet to deliver a single big hospital project under PFI.

Despite intense last-minute efforts to sign contracts for two big projects neither looks likely to be agreed by Budget day.

The IMF said it had made "a positive assessment" of the initiative, launched in 1992, to finance schemes from roads to prisons, university buildings and hospitals. Payment for the services is spread over their contract life, replacing the need for the public sector to raise the capital needed.

The fund's report, however, acknowledged the many criticisms of PFI, and said action was needed "to overcome the administrative bottlenecks that have so far slowed its implementation."

The most important change needed, the IMF said, was the introduction of resource accounting, something already in place for NHS Trusts. From April, most government departments will be required to take account of capital assets and their replacement in budgeting.

It added, however, that "it does not require a tremendous leap of faith to conclude that the PFI's more explicit attention to and better allocation of risk, increased scope for innovation, and focus on minimising full-life project costs should result in real cost savings."

Grey areas were likely to remain in assessing how much risk was transferred. But that deficiency could be exaggerated, the IMF said.

The IMF was clear, however, that the Treasury's 1992 claim that PFI would generate extra resources for public investment was illusory. "PFI never had the prospect of creating additional investment" except in the sense of "increased efficiency allowing more and higher quality services to be provided."

Rival bids for inward investment continue

By James Blitz, Political Correspondent

The cabinet ministers responsible for Scotland and Wales have beaten off a long-running attempt by the Treasury and the Department of Trade and Industry to control government bids for inward investment projects in the UK.

In spite of a huge row earlier this year over their attempts to win a contract from a South Korean electronics firm, Mr Michael Forsyth, the Scottish secretary, and Mr William Hague, his counterpart in Wales, are to retain complete independence in their campaigns to attract foreign investment.

Both ministers have agreed there should be "greater transparency" between departments negotiating investment projects and other technical adjustments to the process should be allowed.

But the DTI has virtually given up its fight to get all such bids handled by an inter-departmental agency. "Treasury officials, for their part, are still sending letters about it," said a minister, "but the truth is they have surrendered."

Earlier this year, Mr William Waldegrave, the chief secretary to the Treasury, proposed that UK inward investment be controlled by the Department of Trade and Industry's Invest in Britain bureau.

His concerns were raised by reports of a row between Mr Forsyth and Mr Hague over "rival bids" to attract a £1.4bn investment by South Korea's LG Group. Treasury and DTI officials argued that competitive bidding between departments gave a bad impression to foreign governments.

LG subsequently pledged to build an electronics complex with 6,100 jobs in Newport, south Wales. LG's investment is worth £1.7bn and Mr Hague pledged grants of up to £200m.

UK NEWS DIGEST

Labour seen as tax-raise party

Key opinion formers still believe the opposition Labour party will raise taxes, even for the average family, in spite of the best endeavours of Mr Tony Blair, the party leader, to persuade them otherwise.

A survey of 100 opinion leaders in business and the City, the civil service, politics, the media and policy think tanks, conducted for the *Financial Times* last month by Opinion Leader Research, showed 66 per cent believed the overall tax burden would rise under a Labour government.

Some 56 per cent believed the tax burden would rise for the average family. Only 10 per cent believed the tax bill would fall for such families, in spite of Labour's recent statement that the party "would like to reduce taxes for ordinary families." Exactly a third believed taxes would remain the same. *Nicholas Timmins*

■ POLITICS

Party's union link weakens

The link between trade unions and the opposition Labour party was further weakened at the weekend when Mr John Monks, the Trades Union Congress general secretary, admitted that "no party shared the entire trade union agenda".

He told a trade union conference in London that he was looking beyond Labour for the creation of a "national consensus for fairness at work" to include other political parties.

He was concerned to take the union cause "to all those who will listen". Union leaders were finding it increasingly difficult to win any sympathy or understanding from Mr Tony Blair, the Labour leader, who they believed was much clearer on reassuring employers than talking further on the trade union agenda. *Robert Taylor*

■ EUROTUNNEL

Channel rail service hopes

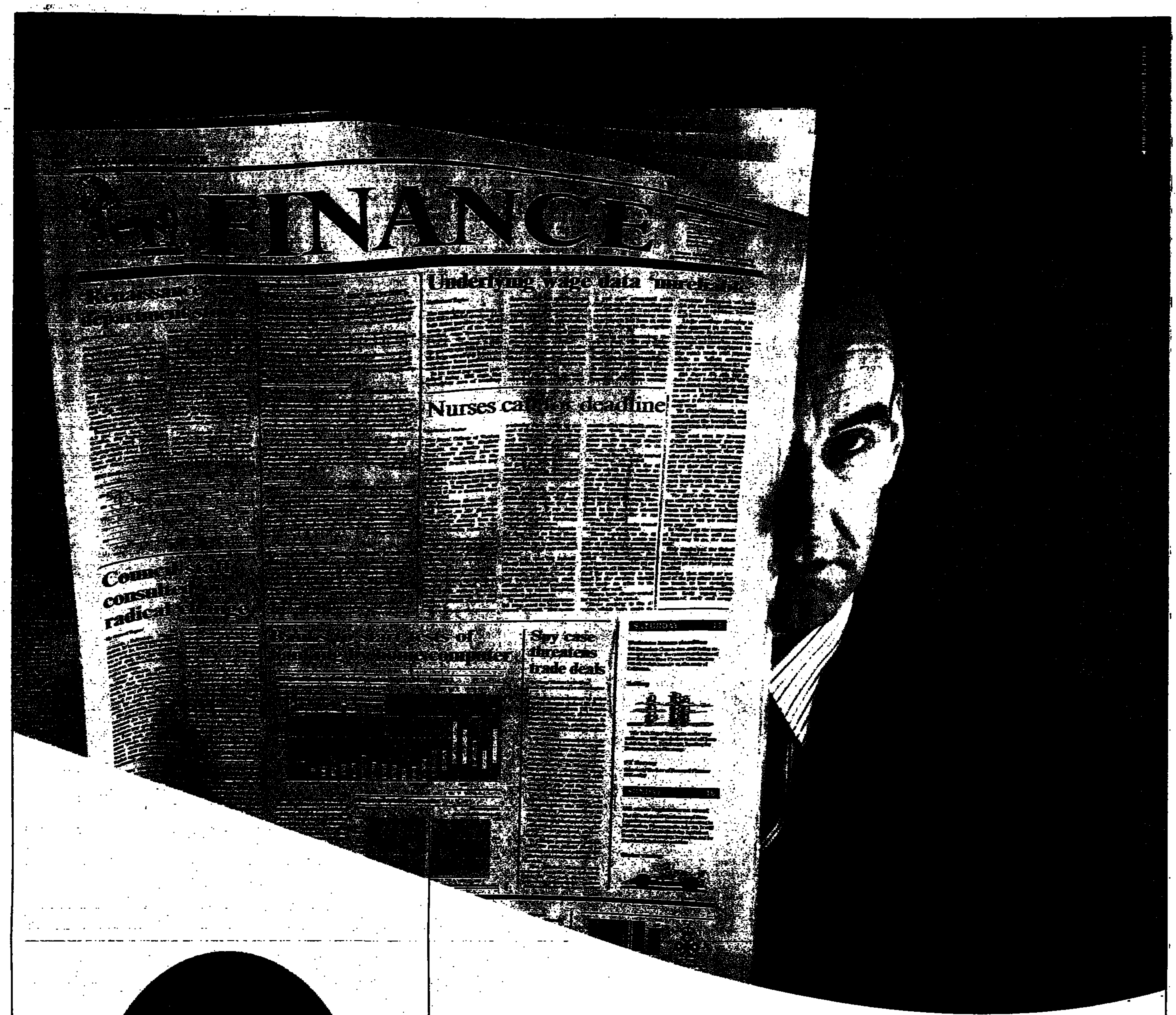
Eurotunnel said yesterday that it expected a partial resumption of passenger rail services through the Channel tunnel within the next few days. The company said some trains on the Eurostar service provided by the French railway company SNCF and British Rail should be in service again this week or next week at the latest, following the fire on Monday last week.

Eurotunnel stressed that there was no question of restoring passenger services until it had received the approval of the inter-governmental safety commission, even though technically it did not need to wait for this. Its proposals to re-start passenger services were not quite ready for the commission. *Andrew Jack in Paris*

■ CONSTITUTION

Devolution proposals attacked

Any legislation by a Labour government for a referendum on the creation of a Welsh Assembly "would be brought to a complete halt" in the Commons, Mr Michael Forsyth, the Scottish secretary, said at the weekend. He was speaking at an anti-devolution conference hosted by the Welsh Conservative Association. *Liam Halligan*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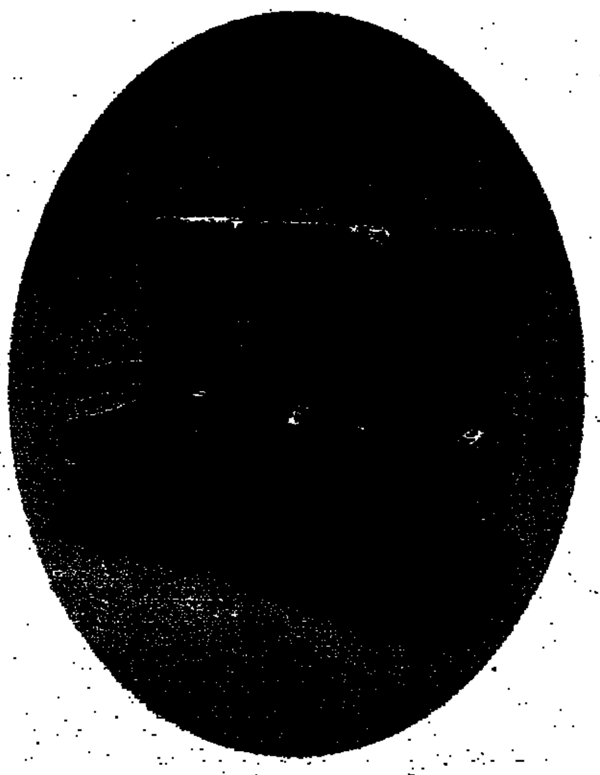


THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Abbey National Treasury 12% Gtd Nts 1997 L855000.0
Akzo Nobel FL1.50
Aluminum Co of America $0.3325
BAT Capital 6½% Gtd Bd 2003 $65.0
Bemrose 5.35p
Blue Circle 4.25p
Brent Int 1p
Bristol & West Bldg Scty FRN 1999 £1515.50
British Aerospace 10¾% Bd 2014 £1075.0
British Gas 9½% Bd 2017 £4750.0
Brunner Inv Tst 5.2p
Cardiff Auto Rcvbls No 3 Class A FRN 1998 £157.33
Do Mezzanine FRN 1998 £181.09
Eaton $0.40
Frogmore Estates 14.9p
Fujita Inv Gtd FRN 1998 $1441.80
Kerry A IR0.6325p
Murray Int Tst 3p
Reckitt & Colman 35.65p
Redland Fdg 10¾% Gtd Bd 2014 £1075.0
Renishaw 5.76p
Sanwa Australia Fin Gtd Fxd/FRN 2006 $3125.49
Sirdar 3.7p
Smithkline Beecham Capital Gtd Nts 1998 £81.25
Tay Homes 5.45p
Treasury 6¼% 2010 £3.125
Treasury 6¾% 2004 £3.375
Yorkshire Bldg Scty 11⅜% Sb Bd 2022 £1137.50

■ **TOMORROW**
Ashley (Laura) 0.4p
Barclays Bank 9¼% Bd 1999 FFR925.0
Do 12¾% Snr Sb Bd 1997 £127.50
Britton 1.32p
CS First Boston Fin Gtd Sb FRN 2003 $29.70
NT & T 6¼% Nts 1997 $312.50
Ocean Wilsons 1p
Tokyu 6.45% Nts 1996 Y645000.0
Trans-Tokyo Bay Highway 5¾% Gtd Bd 2003 $287.50
Treasury 6¾% 2004 £3.375

■ **WEDNESDAY NOVEMBER 27**
Broken Hill Proprietary A$0.25
Chubu Elec Power 6⅛% Bd 2001 Y61250.0
Granada 8⅜% Bd 1997 £418.75
Housing Fin 11½% Db 2016 £5.75
Merrill Lynch $0.30
Murray Ventures 10.91p
NKK 6.2% Bd 2002 Y620000.0
Polypipe 2.14p
Redland Sterling Fdg 10⅞% Gtd Bd 2001 £108.75
Servisair 1.65p
Tokyu Corp 6.45% Nts 1996 Y645,000
Tweefontein R5.47
Waterman Partnership 0.7p

■ **THURSDAY NOVEMBER 28**
Abtrust Asian Smaller Co's Inv Tst 1.2p
Bank of Montreal C$0.40
Bradford & Bingley Bldg Scty Sb FRN 2005 £162.10
Bruntcliffe Aggregates 0.4p
Denmark FRN 1998 £142.96
Go-Ahead 3.7p
Halifax Bldg Scty FRN 1997 £147.83
Legal & General Fin 6.84% Bd 2001 £1.71
London & Manchester 6.6p
Maunders (John) 3.25p
Mitsui OSK FRN 1997 Y20963.0
NT & T 9⅝% Nts 1998 $468.75
Northern Rock Bldg Scty 11⅜% Sb Bd 2000 £568.75
Prudential 5.8p
Rackwood Mineral 1p
Sanyo Elec FRN 1998 Y20963.0
Usborne 1p

■ **FRIDAY NOVEMBER 29**
Abtrust High Inc Tst 1.65p
Allied Irish Banks Und FRN $297.01
Alpha Airports 1.75p
Andrews Sykes 3.5p
BNB Res 2.4p
BTR 5p
Bankers Inv Tst 1.13p
Bank of Scotland 2.91p
Do 9¼% Non-Cm Irrd Pf 4.625p
Do 9¾% Non-Cm Irrd Pf 4.875p
Do Und Var Rate Nts $185.89
Bloomsbury Publishing 0.7p
Blue Circle 10¾% Bd 2013 £537.50
Bradford & Bingley Bldg Scty FRN 1996 £148.25
British Aerospace 6.25p
British Polythene 6.25p
Burn Stewart Distillers 1.7p
CLS 2.2p
Cater Allen Gilt & Fxd Inc Fd Ptg Rd Pf 9p
Do Ptg Rd Pf (High Yield) 20p
China Inv & Dev Fd Rd Ptg $0.47
City of Oxford Inv Tst 1.3p
Collateralised Mortgage (No 5) Mtg Bckd FRN 2027 £77.75
Do (No 7) Class A3 Mtg Bckd FRN 2028 £149.83
Community Hospitals 6.6p
Contra-Cyclical Inv Tst 2.25p
Co-operative Bank 9¼% Non-Cm Irrd Pf 4.625p
Daniels (S) 0.1p
Delyn 0.5p
Dunmyat Inv Tst 0.49p
European Smaller Co's 0.7p
Exmoor Dual Inv Tst 1.12p
Do Inc 1.6p
Fleming Mercantile Inv Tst 4¼% £2.125
Fleming (Robert) Prim Cap Und FRN $309.85
Forward Technology 1p
Framlington Inc & Cap Tst 1p
Gartmore Venture Cap Tst 1.5p
Geared Income Inv Tst 1.75p
Glasgow Income Tst 0.6p
Global 0.21p
Goodhead 0.15p
Great Universal Stores 11.5p
Guinness Flight Venture Cap Tst 0.8p
Haggas (John) 3p
Hays 5.5p
Henderson Highland Tst 1.5p
Homeloans (No.2) Class A1 Mtg Bckd FRN 2028 £124.71
Do Class A2 Mtg Bckd FRN 2028 £148
Do Mezz Mtg Bckd FRN 2028 £161.92
Homer Finance Class A Mtg Bckd FRN 2030 £70.97
Do Class B Mtg Bckd FRN 2030 £191.76
Hopkinsons 0.5p
How 0.5p
INVESCO Conv Tst 2p
Jove Inv Tst 3.2p
Kleinwort Benson Prim Cap Und FRN $303.33
Do Prim Cap Und FRN (Ser 2) $303.33
Lilleshall 1.85p
Linx Printing Technologies 1.9p
Lloyds Bank Prim Cap Und FRN (Ser 2) $145.35
Lloyds TSB Group Sb VRN 2003 £156.95
London & St Lawrence Inv 3.12p
Maple Mortgage Securities Class A1 Mtg Bckd FRN 2030 £589.42
Do Class A2 Mtg Bckd FRN 2030 £1,489.94
Do Class B Mtg Bckd FRN 2030 £1,581.93
McAlpine (Alfred) 3p
Nat West Bank Prim Cap FRN Ser C $143.77
Old Mutual Sth Africa Tst 0.6p
PEWC (Treasury) Gtd FRN 1998 $8,071.12
Persona 1.7p
Premium Tst 2.3p
Ragby Gtd FRN Aug 23 1997 $14,768.54
Do Gtd FRN Oct 31 1997 $4,490.97
Do Gtd FRN 1998 $14,768.54
Redrow 2.2p
Ricardo 4.3p
Roskel 1.3p
Royal Bank of Canada FRN Debs 2005 $43.80
Russell (Alexander) 1.1p
Senior Engineering 1.44p
Surrey Free Inn 1.25p
Tate & Lyle Cv Rd Pf 3.625p
Thorntons 3.8p
3i Intl Gtd FRN 1999n £149.18
TMC P.I.M.B.S. Fifth Financing Class Nts Iss No.6 Aug 2028 £38.81
TMC P.I.M.B.S. Class Nts Iss No.1 Aug 2030 £148.22
TMC P.I.M.B.S. Seventh Financing Class A Nts Iss No.8 Aug 2031 £39.30
Do Class B Nts Iss No.8 Aug 2031 £162.39
TR City of London Tst 1.54p
T&S Stores 3p
VCI 2.3p
WPP 0.556p
Waterford Wedgwood IR0.3p
Wells Fargo Sb FRN 2000 $44.31

■ **SATURDAY NOVEMBER 30**
Adscene 3.875p
Allied Domecq 5½% Pf 1.925p
Do 7½% Pf 2.625p
Bankers Inv Tst 3½% Cm Pf £1.75
BBA 6¾% Cm Rd Pf 3.375p
Bristol (City of) 11½% Rd 2008 £5.75
Cairngorm Bldg Scty Inv Tst 14p
Do No 1 1.4p
Do No 2 1.4p
Do No 3 1.4p
Do No 4 1.4p
Do No 5 1.4p
Do No 6 1.4p
Do No 7 1.4p
Do No 8 1.4p
Do No 9 1.4p
Do No 10 1.4p
Capital & Counties 6⅞% 1st Mtg Db 1995/2000 £3.4375
Clayhithe 9½% Sb Un Ln 2000/01 £4.75
Cropper (J) 9% Un Ln 1994/99 £4.50
Dunlop Plants 6% Cm Pf 2.1p
Electric & General Inv 10¾% Db 2011 £5.375
Fleming Geared Inc & Assets Inv Tst 6.3-13.3% Ltd Ptg Pf 6.65p
Gartmore British Inc & Grwth Tst Geared 2.1p
Do Units 2.1p
Goodhead 7% Cv Rd Pf 3.5p
Hunting 8¼% Cm Cv Pf 4.125p
Hydro-Quebec 15% Ln 2011 £7.50
Ivory & Sime ISIS 1st Cv Anns 6.91375p
Jasmin Cv Un Ln 1999 65.7534p
Johnson Fry 2p
Kleinwort Charter Inv Tst 4% Cm Pf £2.0
Midland Bank 14% Sb Un Ln 2002/07 £7.0
Partco 2.5p
Paterson Zochonis 7½% Cm Pf 3.75p
Do 10% Cm Pf 5p
Peel 5¼% Cv N/Vtg Pf 2.625p
Precious Shipping 3¼% Cv Bd 2000 $32.50
Royal & Sun Alliance 7¼% Cv Sb Bd 2008 £36.25
Sedgwick 7¼% Cv Bd 2008 £181.25
Sterling Publishing 6% Cv Cm A Pf 2000 3p
Stoddard Sekers 4% Cm Pf 2p
THFC (Idx 2) 5½% IL 2024 £2.8892
Do 5½% IL 2024 £2.8892
Tate & Lyle Cv Pf 3.625p
Trust Union Fin (1991) 8⅛% Db 2008 £4.0625
TT Fin 11⅛% Gtd Db 2018 £5.65625
Value & Inc Tst 9⅜% Db 2026 £4.6875

■ **SUNDAY DECEMBER 1**
Andrews Sykes Cv Pf 3.5p
Eadie 0.4p
Govett Oriental Inv Tst 5% Cm Pf 1.75p
Great Portland Estates 9½% Cv Un Ln 2002 £4.75
Hambros Inv Tst 3½% Cm Pf £1.225
Harris (Philip) 7½% Cm Pf 2.625p
Do 8% B Cm Pf 2.8p
Illingworth Morris 7% Non Cm Pf 1.225p
Law Debenture 4½% Db £2.25
Lewis (John) 5% Cm Pf 1.75p
Do 7½% Cm Pf 2.625p
Lister 4% Db Rd £2.0
London (County of) 3% Cons £0.75
Monks Inv Tst 11% Db 2012 £5.50
Murray Smaller Mkts Tst 4.1% Cm Pf 2.05p
Ontario & Quebec Rlwy C$3.0
Do 5% Perm Db £2.50
RPH 4% Pf 1.4p
Do 8% Cm Pf 2.8p
Reed Int 4½% Cm Pf 1.575p
Do 5½% Cm Pf 1.925p
Save & Prosper Lkd Inv Tst 18.3p
TR Smaller Co's Inv Tst 4½% 1.575p
Wright (J) 4½% Cm Pf 1.575p

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Dicom, Andromeda House, Calleva Park, Aldermaston, Berkshire, 10.00
Gearhouse, 29, Gresham Street, E.C., 11.00
Haggas (John), Keighley, West Yorkshire, 11.00
Murray Ventures, 7, West Nile Street, Glasgow, 12.30
Northern Leisure, Insurance Institute of London, 20, Aldermanbury, E.C., 12.00

BOARD MEETINGS:
Finals:
Abacus Polar
Ashbourne
ML Laboratories
National Homes Loans
Network Technology
Interims:
Allied Holographics
Field Group
Filofax Group
Firstbus
JLI Group
Jupiter Geared Capital Inc Tst
Marling Industries
Merrydown
Quiligotti
RM
Savlesen (Christian)
Sketchley
South Staffordshire Water
Trinity Care
Wynnstay Properties

■ **TOMORROW**
COMPANY MEETINGS:
Baillie Gifford Japan Tst, 1, Rutland Court, Edinburgh, 12.30
Edinburgh Dragon Tst, Donaldson House, 97, Haymarket Terrace, Edinburgh, 12.00
Lloyds Chemists, Swinfen Hall Hotel, Swinfen, Staffordshire, 10.30
NatWest Smaller Cos Inv Tst, Fenchurch Exchange, 8, Fenchurch Place, E.C., 12.00

BOARD MEETINGS:
Finals:
Anglo Irish Bank
Eldridge, Pope
Interims:
Amberley
Hewetson
Mountview Estates
National Grid
Jarvis Hotels
Readicut Intl
Severn Trent
Value Realisation

■ **WEDNESDAY NOVEMBER 27**
COMPANY MEETINGS:
Ernest Green & Ptnrs, 36, St. Andrew's Hill, E.C., 12.00
Exmoor Dual Inv Tst, Chamber of Shipping, 12, Carthusian Street, E.C., 11.00
Murray VCT, 7, West Nile Street, Glasgow, 10.30
Premium Tst, Saltire Court, 20, Castle Terrace, Edinburgh, 12.30

BOARD MEETINGS:
Finals:
Crabtree Group
Wigmore Property Inv Tst
Interims:
Amber Industrial
Kewill Systems
Meyer Intl
Mid Kent Hldgs
New London Capital
Northamber
Vendome Luxury Group

■ **THURSDAY NOVEMBER 28**
COMPANY MEETINGS:
Allied London Properties, Four Seasons Hotel, Hamilton Place, Park Lane, W., 12.00
British Building & Engineering Appliances, Kempson House, Camomile Street, E.C., 11.30
Burn Stewart Distillers, Trades Hall, Glassford Street, Glasgow, 10.30
Chesterton Intl, 12, Appold Street, E.C., 2.30
European Smaller Cos, 33, Queen Street, E.C., 12.00
My Kinda Town, Capital Radio Cafe, Leicester Square, W., 10.00
Redrow, St. David's Park Hotel, St. David's Park, Flintshire, 12.00
St Ives, St Ives House, Lavington Street, S.E., 10.00
Westport, 18, Southampton Place, W.C., 10.00
BOARD MEETINGS:
Finals:
Brockhampton Hldgs
Concentric
Manx & Overseas
Morland Intl
Royal Bank of Scotland
Sanderson Electronics
Scottish Inv Tst
Interims:
BPB
Bristol United Press
Caledonia Investments
CPL Aromes
Castings
Edinburgh Income Tst
European Motor Hldgs

Hampson Industries
Hogg Robinson
Johnson Matthey
ML Holdings
Neepsend
Old English Pub
Southern Electric
Sutcliffe Speakman
3i Group
Trifast
United Utilities
Videologic
VTR

■ **FRIDAY NOVEMBER 29**
COMPANY MEETINGS:
Baronsmead VCT, Tallow Chandlers Hall, 4, Dowgate Hill, E.C., 11.30
East German Inv Tst, 135, Bishopsgate, E.C., 10.00
Galliford, Hilton Natl Coventry Hotel, Walsgrave Triangle, Coventry, 10.00
Manchester United, Fallowfield, Armitage Centre, Manchester, 11.00
Manganese Bronze, 1, Love Lane, E.C., 12.00
Prestwick, Hospitality Inn, Irvine, Ayrshire, 12.00

BOARD MEETINGS:
Finals:
Fenchurch
Henderson Strata Invs
Interims:
Bournemouth & West Hampshire Water
Latham (James)
Monks Inv Tst
TR Property Inv Tst
Yorkshire Water

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent annoucements.

Hostage to their own honesty

DATELINE

Tokyo: too much trust and low levels of petty theft are partly to blame for the spread of corruption at higher levels, writes **Gwen Robinson**

There are occasions when the Japanese make foreigners wish they were more like them. There are the times you drop your wallet in a busy street or leave your briefcase on a crowded train and have the item returned within days, contents intact.

Recently I had my purse returned by a policeman a day after dropping it in a shopping arcade. It contained the equivalent of £1,000 in rent money – before and after a kind soul handed it in to the local police station. A friend bettered my story last week. He had lost a month's pay in an unmarked paper envelope on a crowded railway platform, but recovered it hours later from the station office.

The staggering recovery rate of lost valuables in Japan must surely put all other countries to shame. Every year, people find and turn in billions of yen worth of items to police departments and lost property offices. The lists released by such offices always include precious jewellery, cash and, in a recent case, a set of solid gold platters that an old woman found in the rubbish.

Almost every expatriate living in Tokyo has a lost-and-found miracle tale to tell. Sadly, expatriates are the only ones who seem amazed by such displays of honesty. Foreigners are also the only ones to goggle at the bicycles amassed, without chains and locks, in public places; the stores with little or no precautions against shoplifting; and the expensive cars frequently seen empty in the street, doors unlocked, keys in the ignition.

However, there is a drawback to all this honesty. After a while, you feel almost silly locking your door. You put down your handbag far too thoughtlessly in a store. Japanese are careful by nature but their trusting environment at home makes them easy targets for conning, robbing and mugging when they travel overseas.

Paradoxically, their strong sense of honesty at the grassroots is partly to blame for the spread of large-scale corruption at higher levels of politics, bureaucracy and big business. People simply trust too much. Last week, one of the government's top bureaucrats resigned over accusations of accepting more than Y60m (£327,800) in cash bribes as well as other costly gifts including cars from a nursing home developer.

The case is the latest in a series of grimy bureaucratic scandals that have implicated senior officials in the top ministries in the last two years. The Japanese clearly expect foul play from their politicians, and express weary cynicism when lawmakers are exposed for taking or giving bribes. But bureaucrats are supposed to be different.

Until now, Japan has displayed an almost incomprehensible tolerance – or perhaps it is apathy – toward corruption elsewhere. The country's best loved sumo family, led by retired wrestler Futagoyama and his two sons, Takanohana and Wakanohana, were exposed this year as big-spending tax dodgers with appetites for ostentatious living.

"An ordinary businessman evading taxes on so grand a scale would have been arrested," noted one magazine. The father and two sons are still stars, packing in fans and cash donations. They quietly repaid some of their illicit gains to the government, and the matter has been dropped.

As for Nobuharu Okamitsu, the vice-minister for health who resigned last week, the biggest punishment mooted so far was suggested by the prime minister, who said last week: "Mr Okamitsu may end up losing his government retirement pension."

The shame of getting caught for large-scale corruption has traditionally outweighed the criminal aspect – particularly among senior figures. Okamitsu's side-kick, a younger ex-ministry official, was arrested for accepting bribes that amounted to a fraction of the ones given to Okamitsu, who is still walking free.

For those at the top, the disgrace of being caught and the corresponding loss of status are often seen as enough punishment. Some even stay in office, though perhaps suffer demotion. Among those who relinquish their jobs, some actually take up better, if not bigger, positions such as cushy advisory jobs.

The latest revelations of grand corruption at the health ministry, however, have provoked refreshing signs of public anger. Citizens' groups around the country have been demanding for the first time full accounts from their local governments for the hefty entertainment expenses in prefectural and municipal budgets. This has unleashed a stream of regional corruption scandals. Tales of flagrant abuse of public funds by one local government after another have, in turn, generated fresh outpourings of popular disgust.

Bureaucracy and academia have always been highly respected. That is changing. But so, too, is the incidence of petty theft and crime, which is rising slowly but steadily, according to police statistics.

However, the rising crime rate is not an indication that Japan's famed grassroots honesty is breaking down. The police happily attribute the increase in petty theft, in particular, to the growing presence of foreigners in Japan, particularly illegal immigrants from other parts of Asia and the Middle East.

As offensive as it may sound to foreign ears, the most telling support for that conclusion comes from the long-time expatriate community in Japan, many of whom can no longer leave their bicycles unlocked and loudly blame the immigrants for it.

The Monday Profile: Jeff Berg, International Creative Management

An eye on the big picture

Arnold Schwarzenegger may not be thrilled to hear this, but he and today's other big movie stars probably have more in common with a BMW, or a Big Mac, than with screen heroes of the past.

According to the beefy actor's agent, Jeff Berg, optimising brand equity is one of the main strengths of International Creative Management, the talent brokerage Berg has run since 1980. It is also one of the main influences driving the film business, which helped power ICM's annual revenue growth rate to 17 per cent this year after a five-year stretch of 10-12 per cent.

Now Berg – Mr Ten Per Cent to Schwarzenegger, Mel Gibson, Madonna, Richard Gere, Eddie Murphy, Michelle Pfeiffer and Julia Roberts – is considering a diversification into branded product marketing services which would be beyond his experience in the packaging of stars for film and entertainment.

He sees no anomaly: "We have a particular skill and expertise in the business of marketing unique talents and intellectual property. If this were an advertising agency we would be talking about billings of $2bn or $3bn."

But is that helpful for selling soda pop? "It may be," he says, and puts his own question: "What is a studio? It is a concept-to-retail business which runs in a virtuous economic circle of product acceptance."

Walt Disney, explains Berg, has closed the circle with its film characters and ideas. These are cycled through cinema distribution, television, sports teams, theme parks, videos, games, toys and clothing sold via its international store chain.

Products which succeed are then fed back through the studio in new or similar forms, and the circle turns again.

Berg, a twitchy, thoughtful man, is the last of the powerhouse agents left standing in Hollywood after last year's changes which saw the founders of Creative Artists Agency, led by Michael Ovitz, troop off to join the new élite grouping of entertainment conglomerates.

Ovitz, who is now second in command at Disney, was the first talent agent to exploit brand-handling skills in the wider marketplace with a ground-breaking deal with Coca-Cola. But Berg, regarded as the most respected agent in the business (the ill-tempered Ovitz was commonly tagged "most powerful") has long had an eye on the bigger picture.

Now, following the recent refinancing of ICM's $20m-plus of borrowings hanging over from the $63m management buy-out in 1980, he has been freed from the slog of paying down debt.

Expansion in agenting does not appear to be an immediate issue. ICM's Beverly Hills offices are already full, although a new lease signed three years ago included enough space to allow for 15 years' growth.

Other possible ventures include a move into film financing and sales, while ICM's international reach is also proving an increasingly attractive asset. The company, which runs most film operations from Los Angeles, and publishing and music from New York, also has well established agencies in London and Paris, and works in partnerships in Madrid and Rome. Offices will open shortly in Hong Kong and Latin America.

Although US film box office receipts are stagnating, foreign revenues – currently slightly behind the $5.2bn home market – are growing fast. "Eight years ago we sold Hollywood films in South Korea for $50,000 and walked away. Now you can get $3m plus $500,000 for home video rights," says Berg.

In the same period, Latin America's share of world box office revenues has increased from 3.5 per cent to more than 5 per cent, and will approach 10 per cent by 2000, he says.

As Berg's colleagues point out, US film makers have traditionally confined their operations to Group of Seven nations with up to 1bn potential customers, predictable growth rates and a relatively narrow range of intellectual habits. But the economic and political opening of Asia, Latin America and eastern and central Europe now adds a further 2bn to the target audience.

The potential rewards from the concept-to-retail business and international markets are vast. US box office receipts may be flat, and the number of tickets sold has stagnated for 15 years, but annual home video revenues have grown to $15bn annually.

Pay cable television – now joined by global pay satellite services – took off at the same time as home video and generates billions, Berg says.

He sees foreign influence rising strongly in the US entertainment market, and ICM's client list increasingly reflects the trend. It recently signed Chinese director Chen Kaige, whose elegant *Farewell My Concubine* was surprisingly well received in America. "*My Concubine* was marketable here because the US appetite for stories and themes originating beyond our frontiers has expanded," he says.

Christopher Parkes

FT GUIDE TO

Electronic money

What is this "electronic purse" I keep hearing about?
It's a plastic card, the same size as a credit card, with a little computer chip embedded in it. You load it up with money – some people call it a "stored value card" – and use it instead of cash.

Sounds like some kind of debit card.
Not quite. Because money is loaded in advance, the shop or restaurant does not have to check every purchase with a phone call to a central computer. That makes it cheap enough even for small transactions. It's also a boon for people on wheels, such as taxi drivers or bus conductors.

What are the main brands?
Most electronic purses are still in the experimental stage. The UK's home-grown contestant is Mondex, which was developed by NatWest and is now on trial in Swindon. Visa, the credit card group, has its own prototype – Visa Cash – which will be tested in Leeds next year. Most European countries have their own projects. Portugal's is probably the most advanced.

What's wrong with cash?
Don't throw away your banknotes yet. Cash still has years of life in it. But shops and transport companies are keen to cut down on cash: it costs a lot to handle and it makes them a sitting target for robbers.

So it's good for the shops. What's in it for the consumer?
Some consumers may love it. It saves carrying around loose coins. If enough places accept the card, it also solves the problem of exact change for parking meters, bus fares and the like.

Will I have to pay for an electronic purse?
Most pilot schemes are giving the cards out for free. Keeping it that way could determine whether they ever catch on since it will be hard to persuade consumers to pay for an electronic purse when cash is free. The banks would love to charge for the card even though they save money out of anything loaded on the purse because it is essentially a free deposit until spent.

Where will I be able to use the cards?
There is a chicken and egg problem. Shops don't want to put in new terminals until enough consumers are using the card and consumers won't take to the electronic purse unless they can use it where they want. The target is to have it widely accepted in places that do not take a debit card, such as newsagents or fast food restaurants.

I won't be able to pay my brother that fiver?
Most functioning electronic purses can only be used in conjunction with a full-sized terminal. Mondex money, however, can be transferred from one card to another using a terminal the size of a large pocket calculator. It can even be sent down a telephone line. Try that with a £5 note.

Sounds like a winner.
MasterCard, Visa's credit card rival, certainly thinks so. It has just taken 51 per cent of the Mondex consortium and plans to use the chip for all its cards, not just electronic purses.

So what's the catch?
One possible problem is that Mondex is a closer replica to cash than its rivals. Money is actually held on the chip and when a payment is made there is no central record. Most other electronic purses run a central computer system that records all transactions. The lack of an audit trail worries some police and tax officials.

Me, too. What if I lose my card?
If you lose your card you have lost your money. But that is also true for Visa Cash, even though it does keep a central record. The only difference is that Visa Cash will replace the money on a damaged card.

Any other problems?
The big problem for any electronic purse is acceptance: will it work via your local newsagent's terminal? Mondex says its cards work fine in standard terminals, but rivals say it doesn't comply with EMV norms.

EMV?
It stands for Europay, MasterCard, Visa. The three big credit and payment card consortia have been trying to work out a common standard for smart cards because shopkeepers don't want to install a battery of different terminals for each type of card. One of the big problems is ensuring backward compatibility.

We're really getting into jargon.
If you have tried to use one of British Telecom's old phone cards in its new payphones, you'll appreciate the problem. Electronic purses ought to work not only via a smart new terminal that can read their computer chip, but also via older machines which read magnetic stripes. They even have to have raised letters for the old clunk-click carbon paper machines.

So will electronic purses catch on?
Some Far East countries seem to be embracing them but in most countries they are still looking for a selling point – something that will make you want to use one even if you have to pay for it and even if it won't completely replace cash.

George Graham

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 24.11.96: Pool purchase price £/MWh	Final Prices for Trading on 27.10.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.66	11.66	11.66
0100	22.81	11.61	11.61
0130	22.81	11.62	11.62
0100	-.-	5.02	6.44
0130	-.-	5.02	6.44
0200	22.81	5.02	6.44
0230	22.81	5.02	6.44
0300	21.87	8.97	8.97
0330	21.87	11.61	11.61
0400	21.87	7.12	7.12
0430	19.24	7.10	7.10
0500	12.39	7.10	7.10
0530	15.71	8.96	8.96
0600	15.71	8.97	8.97
0630	15.71	8.97	8.97
0700	15.71	8.97	8.97
0730	15.71	8.52	9.94
0800	15.71	8.52	9.94
0830	15.29	8.52	9.94
0900	11.67	12.32	13.74
0930	11.68	14.20	15.61
1000	11.72	16.38	17.80
1030	15.71	16.38	17.80
1100	17.56	17.10	18.51
1130	17.58	17.90	19.32
1200	17.58	17.90	19.32
1230	23.19	27.76	29.17
1300	23.19	27.76	29.17
1330	17.31	17.90	19.32
1400	16.73	17.60	19.02
1430	11.79	14.20	15.61
1500	11.66	11.69	11.69
1530	11.71	11.68	11.68
1600	11.79	11.67	11.67
1630	16.81	11.69	11.69
1700	17.31	17.06	18.47
1730	22.74	19.26	20.68
1800	22.74	27.77	29.19
1830	22.73	27.77	29.19
1900	21.05	19.26	20.68
1930	17.31	19.26	20.67
2000	16.95	19.25	20.67
2030	17.31	17.27	18.68
2100	16.95	16.79	18.20
2130	16.85	16.81	18.23
2200	16.15	16.38	17.80
2230	16.50	14.20	15.61
2300	11.66	13.34	14.75
2330	11.68	11.66	11.66
2400	11.67	11.63	11.63

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left ... ©Energy Settlements and Information Services Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 25.11.96: Pool purchase price £/MWh	Final Prices for Trading on 28.10.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.73	11.61	11.61
0100	16.15	11.62	11.62
0130	24.89	11.61	11.61
0200	24.89	8.97	8.97
0230	16.15	11.62	11.62
0300	16.15	11.61	11.61
0330	16.15	8.97	8.97
0400	16.15	8.96	8.96
0430	16.10	8.97	8.97
0500	11.73	8.96	8.96
0530	11.67	8.97	8.97
0600	11.66	8.96	8.96
0630	11.68	11.61	11.61
0700	11.82	14.16	15.13
0730	15.52	19.32	20.29
0800	16.67	20.64	21.61
0830	16.86	20.68	21.67
0900	17.25	20.84	21.88
0930	17.60	21.09	22.23
1000	20.58	21.26	22.48
1030	20.75	21.41	22.66
1100	21.03	21.56	22.86
1130	56.52	21.94	23.36
1200	56.70	43.94	45.48
1230	19.20	43.85	45.36
1300	19.01	43.40	44.76
1330	18.65	21.26	22.45
1400	18.57	21.08	22.21
1430	18.44	12.58	12.58
1500	18.43	12.57	12.57
1530	19.29	12.64	12.64
1600	36.81	12.33	12.93
1630	130.17	22.00	22.00
1700	257.48	123.65	154.60
1730	274.98	220.88	263.23
1800	202.92	242.25	284.88
1830	78.60	148.50	177.97
1900	37.88	74.54	89.06
1930	25.22	48.56	54.00
2000	19.74	28.98	32.88
2030	17.16	21.76	23.15
2100	16.83	20.84	21.88
2130	16.66	21.17	22.16
2200	16.60	20.64	21.61
2230	15.51	25.95	26.92
2300	11.73	25.95	26.92
2330	11.69	25.95	26.92
2400	11.69	11.68	11.66

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left ... ©Energy Settlements and Information Services Limited

Stephanie Flanders • Economics Notebook

Investors misplace Russian bets

The real economy and the financial world seem to have parted company

Investors from all over the world last week rushed to buy a piece of the Russian Federation's first, $1bn (£600m) Eurobond offering. It is the kind of news we have got used to in these days of transition economies and globalised capital markets. But consider: this is a country in which the president is recovering from a multiple heart bypass and where up to 70 per cent of payments to industrial companies are made through some form of barter.

The financial world is supposed to be a few steps ahead of events in the real economy. But you would be forgiven for thinking that in Russia the real and the financial seem to have parted company entirely.

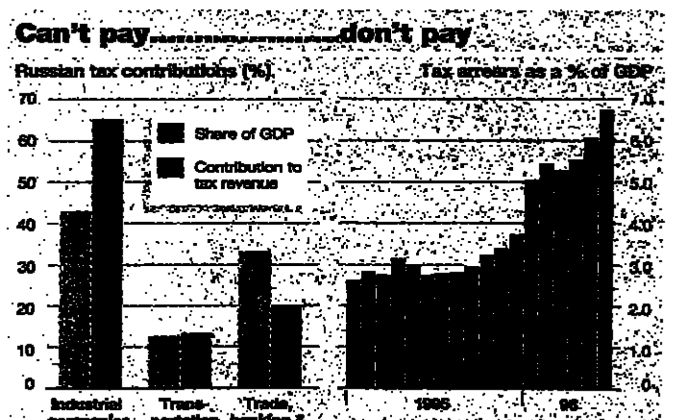
While Russian officials were on the road outlining to investors the economy's golden future, a mission from the International Monetary Fund was back in Moscow battling over this year's tax revenue figures. That sounds a petty concern compared with the much larger fear a few months back of a communist victory in the presidential elections. But if Russia cannot get its act together on tax then very little else in the government's glossy prospectus is likely to come true either. For its part, the IMF is so worried about the situation that it has delayed disbursement of the October tranche of the $10.2bn loan facility it granted the Russians earlier this year.

The problem is not unique to Russia. Nearly every former communist country has faced declining tax revenues while making the transition to a market economy. That is because the tax system inherited from central planning was built to extract revenues from state-owned industries. The latter's output – and the associated revenues – declines sharply with market reforms, usually before the government has been able to start taxing the new private sector.

But a low tax take is also a symptom of a broader worry for countries trying to regain control of the economy after years of political instability and high inflation – namely, that people, including government people, have got used to coping with the chaos by not paying their bills, or, if they do pay, doing it through barter or elaborate promissory notes rather than in devalued currency.

These problems usually recede into the background if governments stick to tough stabilisation policies and get inflation down. And in the early stages of its anti-inflation programme it looked as though the same would be true in Russia. Having risen steadily since 1992, the total amount of unpaid bills among companies and between the state and private sector finally stabilised in 1995, at about 13 per cent of GDP.

But, as a recent report by economists at Brunswick Brokerage in Moscow pointed out, the incidence of non-payment has taken off again this year, despite the government's continued success in taming inflation. The report estimates that by last June "overdue payables" (arrears to suppliers and banks, as well as tax and wage arrears) had risen to more than $90bn, or 21 per cent of GDP.



The authors pin the blame for non-payments on three factors. First, and most important, is the shadow economy, which pays no taxes and often withholds payments to legitimate companies while making darn sure its own bills are paid on time. Brunswick reckons this sector has a net liability to the formal sector of at least $10bn.

The other two generators of overdue bills are subsidised and insolvent industries (with net arrears of about $4bn) and "budget organisations", responsible, among other things, for basic public goods such as the army, the police and schools. The report believes such bodies now owe $4.5bn to suppliers.

It is easy to get lost in the maze trying to sort out the real losers in this sea of interconnecting debts. For example, industrial companies are estimated to be owed $8bn. But industrial companies are also the main source of tax arrears owed to federal and local governments, which are net creditors to the tune of $12.5bn.

In effect, the economy is caught in a vicious circle made worse by the slow pace of economic reform at the micro-level. As the first graph shows, the government's inability to tax the shadow economy and reluctance to tax the new and powerful financial sector means it is still trying to extract too much revenue from hard-pressed industrialists. Industrial companies contribute nearly 70 per cent of all Russian tax revenues, although they now account for only 43 per cent of reported GDP.

Many of the companies which are behind in their taxes would be declared bankrupt in the west. But, as the Brunswick report comments: "In an environment where it is normal to have arrears to suppliers, the budget, and employees, the very concept of insolvency has lost its value."

The upshot is that companies have been able to run up ever larger debts with suppliers and, above all, the state. Faced with a shortfall of revenues, ministries, in turn, have kept to the IMF-agreed targets for public borrowing only by not paying *their* bills. The police, say, spend the amount allocated to them in the budget, but a fraction of that amount is actually disbursed to them by the government. That accounts for arrears run up by budget organisations, mentioned above. Brunswick estimates that total government non-payments to the economy are somewhere between $16bn and $25bn.

Recent high-profile efforts by the government to crack down on tax non-payments may have persuaded the IMF that ministers are taking the tax shortfall seriously. But as the IMF well knows, enforcing the present distorted tax code only tackles the symptom. Curing the disease of non-payment will require much more.

For starters it will mean bringing more of the economy – formal or informal – into the tax net, enforcing strict bankruptcy laws on companies, and establishing fairer, more effective ways of controlling public spending. Perhaps Russia will have managed to do these things by the time the new Eurobonds expire, in 2001. But it has a long way to go.

MANAGEMENT

Crunch time for bonuses

US bankers will soon be looking for their share of this year's record profits, says Tracy Corrigan

It has been a dream year for Wall Street, with bumper revenues from equity underwriting, initial public offerings and mergers and acquisitions. So are the chief executives of Wall Street's investment banks rubbing their hands in glee? Only if they can find a spare moment. For the next week or so, instead of concentrating on developing their businesses or planning next year's strategy, Wall Street's leaders are closeted in meetings to discuss one issue: bonuses.

The big US investment banks are on track to make record profits this year, up around 30 per cent on last year's already healthy earnings. And that means their financially ambitious staff are looking for bonuses to match.

"Expectations get out of hand, and at some level you can never meet them," says Sri Zaheer, assistant professor at the Carlson School of Management at the University of Minnesota. Keeping the people they want to keep without breaking the bank has become an increasingly thorny problem.

In most industries, only company directors would expect to benefit proportionately from the company's strong performance. But investment bankers and traders, who earn the bulk of their compensation from bonus rather than base salary, expect to take home a big slice of any contribution they have made to profits.

A typical base salary can account for as little as 20 per cent of total compensation. A moderately successful trader on a basic of $150,000 (£88,763), for example, may expect to take home $750,000 in a fairly successful year. When he knows his company has done particularly well, he will expect even more.

Typically, the big US investment banks spend half the money they make paying their staff. And despite the favourable market conditions of the past 15 years, their return on equity has been in long-term decline – from as high as 50 per cent in the early 1980s to just under 20 per cent today. In fact, as pricing pressure has driven down commissions in many areas of business, compensation costs have risen, according to Sallie Krawcheck, a securities industry analyst at Sanford C. Bernstein.

Every year, at bonus time, senior managers are held to ransom by their staff. "These people have high expectations and they will walk," if disappointed, says Scott Page, head of the capital markets group at Solomon-Page Group, the recruitment firm.

The effect of paying big bonuses after the end of the financial year – usually in January – is to create an annual jobs merry-go-round, which in turn exacerbates the auction mentality that pervades the industry.

There are two types of bonus-driven job moves: those set up before bonuses are awarded, but delayed until the cheque has been collected; and those inspired by disappointment at the size of the bonus when it does arrive. This year there will be plenty, perhaps more than ever, of both.

"I already know who I am going to hire in January," said the head of mergers and acquisitions at one Wall Street firm, whose department is expanding. He said he has already done deals with several investment bankers, who will be keeping mum until they get their cheques.

So far, Wall Street's senior managers have had limited success in tackling this thorny issue. "Expectations are at an all time high, and I don't know how well management has done in managing them, says Page, "They have to tell people they are not going to pay sports star numbers."

However, it is difficult for any one organisation to deal with the problem unilaterally. Last year, Salomon Brothers had to step back from a plan to tie managing directors' bonuses to the return on equity earned by the firm, which would have cut some senior executives' packages to around $400,000. The plan was abandoned after 20 managing directors left the company. The Salomon Brothers plan, many acknowledge, was eminently sensible in theory; in practice, it could have blown the company apart.

For the managers whose job it is to set bonuses, there are two main issues: how much to pay, and how to pay it. Bonuses are supposed to measure performance, but this usually involves a mix, often ill-defined, of the individual's, the unit's and the company's performance.

In a bad year, do you risk losing an effective trader who has lost money even though he outperformed his peers in difficult market conditions? The answer in most cases, is no: you give him a big bonus anyway. What about a mediocre trader who has made a large sum of money for the firm in a bull market so strong that only an idiot could have failed to do so? Again, Wall Street firms have tended to err on the side of generosity. The result is that they have left themselves open to criticism from shareholders that employees get the advantages of share ownership – more money when the company performs well – without paying the price when the company does badly.

The other problem is how to pay the bonus. Give a sane 30-year-old $5m in cash and you might start to worry if he continued to show up for work in a suit and tie at 7.30 every morning. Increasingly, companies have tried to tie staff to their companies by paying a substantial part of the bonus in the form of deferred stock or stock options.

These "golden handcuffs" are not always effective. Joan Zimmerman, an recruitment consultant at headhunter GZ Stephens, argues that in reality "deferred compensation is seldom a major stumbling block, because the hiring institution can match deferred for deferred" or buy out the expected windfall with cash.

But it may help harness the efforts of those who do stay. For this reason, Krawcheck believes that employee share ownership is a good yardstick for investors. Morgan Stanley, for example, which is among the top long-term performers on Wall Street, also has a high proportion of shares held by staff.

But there is a potential problem here: issuing substantial numbers of new shares for staff dilutes the holdings of existing shareholders. So far, Morgan Stanley has averted this problem by generating enough cash to buy back large chunks of its own shares. But the balance could easily tip if the industry entered bad times.

Overall, the main reason for the upward spiral of pay packets seems to be that the number of participants in the industry is expanding.

In the US financial markets, the European banks are building, the US commercial banks are hiring, the second-rate investment banks and brokerages are trying to upgrade their operations and the established firms are entering new markets such as high-yield bonds.

"The recruitment of top-level bulge-bracket [elite investment bank] professionals has never been as dramatic as in 1996," says Zimmerman. Everyone is investing, and in investment banking that means buying people.

They can afford to invest because they are making lots of money, but these "investments" are, in turn, depressing return on capital.

As long as this cycle persists, investment banking is likely to remain a better industry in which to work than to invest.

The fund-managing wizards

The top earners on Wall Street are not the chief executives of the big, publicly-quoted investment banks, writes Tracy Corrigan. Their generous compensation packages are dwarfed by a new breed of Wall Street wizards – the managers of hedge funds and buyout funds who make money on their own investments in their businesses as well as earning massive fees on the external money they manage.

According to the Wall Street 100, the list of the highest earners in 1995 compiled by Financial World magazine, the biggest haul went to George Soros, the investor and speculator, who earned a massive $1.5bn (£1bn), more than four times as much as his nearest rival and colleague, Stanley Druckenmiller. Henry Kravis, of leveraged buyout specialist Kohlberg Kravis Roberts, came in seventh with $76m.

The best way to make a really big pile as an investment banker appears to be to leave the company. The highest paid investment banker on the list is Robert Greenhill, who took home $34.7m in salary bonus and severance pay from Smith Barney, the brokerage firm which hired him at great expense from Morgan Stanley two years ago.

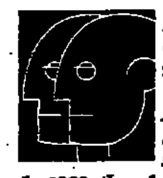
To find the head of a big Wall Street firm, you have to go right down to slot number 79, held by Jon Corzine of partnership Goldman Sachs, who made $13m. Not far behind come Dick Fisher, chairman of Morgan Stanley, and John Chalsty, chairman of Donaldson Lufkin & Jenrette.

Given these numbers, it becomes a little easier to see why a successful trader or analyst on a meagre $500,000 a year starts to feel hard done by.

Jane and Patrick Gotteller: 'Nowadays we're clear about who we cater for'

PARTNERS

Artwork



Patrick and Jane Gottelier, both 45, met at St Martin's School of Art in 1974 where they were both studying design. In 1980, they formed their knitwear company Artwork, which now has an annual turnover of £1m. They married in 1982 and have two children.

Patrick: "Jane was interested in assembling clothes without sewing them and my speciality was welded plastics, so that's how we came together. For the first few years we worked on various projects, from PVC jackets to fashion accessories, but they only made ends meet.

The real crunch came with the knitwear because it combined my industrial design, with Jane's fashion design. She would design a pattern which I would then draft out as a full-scale sweater on a graph.

Our relationship was very tempestuous in the beginning. We were together and apart at least a dozen times before we formed Artwork. I think her role is more pressurised because her collections are judged to be good, bad or indifferent by the press.

In early days we both let our creative urges get the upper hand which wasn't good for business. One year we had a Venetian theme, followed by South American Indians the next, which was a bit confusing for customers. Nowadays we're clear about who we cater for.

We still disagree vehemently. Jane recently designed a cashmere sweater with three different necklines and I insisted she went with one or two, as the third didn't offer a choice. It frightens the hell out of the staff when we argue. It can look like Armageddon to the uninitiated, but after five minutes it's forgotten.

I'm sure being married and being business partners has its drawbacks, but we don't know anything different. We try to adopt a professional mode. I guess we're not always successful, yet we seem to have managed for a long time."

Jane: "Patrick and I would sit at two desks pulled up close together in the early days which was rather sweet. Now we employ other people, I sit at the far end of the room.

He's always been easy to work with, except these days he's impossible to pin down. I've been known to make appointments with him outside the office because we both hate discussing work at home. We live above the office, but once I go through the apartment door, I mentally shut off. It annoys me that Patrick will occasionally sneak back down. He likes working in the evenings, whereas I'm hopeless after 6pm, my brain's gone.

Patrick has been lumbered with the business side because I tend to shrink away from situations and I'm no good at selling. I can't say, 'This is great, I designed it' which is something he understands. Also, I'm working nine months ahead, so I've moved on to the new collection when the last one is being sold. I'm now on winter 97-98 which is going to be softer and more unstructured.

Most of our production is done in the Far East which gives us time to talk while we're travelling.

The downside of working together is that we can't go home and say, 'I did blah blah today' because we know what each other did. The upside is that the business is stronger because we're married."

Fiona Lafferty

Leadership in the theatre of operations

Lucy Kellaway

"I'm going to put an ordinary kitchen sponge into your mouth," said the dental surgeon. I could hear his voice, but I couldn't see him. Earlier he had put a nappy wipe over my eyes and tied it tightly in place with a towel. He had also stuck kitchen film to my cheeks, chin and upper lip which he said was to stop the germs on my face from migrating.

I felt a cold wet thing going in to join the assortment of objects that were in my mouth already. There were metal clips to hold back the gum that had been cut open, various bits of string, some black silk and a good deal of heavy equipment going in and out: a wrench, a screwdriver, several drills and a hammer.

Last Wednesday afternoon, lying on a table in an operating theatre, I was embarking on one of the most serious acts of consumption of my life. This was stage one of titanium dental implantation, a new fangled dental technique offered to those for whom everything else has failed. The expense is considerable: two implants cost about the same as a small car.

The thought that I was a valuable customer and was therefore king flashed through my mind as I felt the blood and tiny pieces of bone trickle down my throat. But I rejected it as absurd. My ringside seat (or table, as the case may be) at the operating theatre was proving what nonsense it is to talk of medicine and hospitals in the language of the marketplace and managementspeak. The customer, even one who is paying through the nose to get their mouth fixed, is secondary. The king is quite properly the surgeon; it is he who is always right.

"Don't hold the aspirator like that," he said snappishly to one of the nurses. "I can't see what I'm doing!" "Take those gloves off! That's not sterile!" "If you are holding scissors you must put your hand along the shaft!" "What number is this drill? You must check the numbers on the box!"

This kind of autocratic behaviour would be most unfortunate in general management; for a boss to be telling his staff off in front of a client would show a serious lapse in judgment. But in the operating theatre different rules apply. When someone is drilling deep holes into your jaw, they can be as autocratic as they like. Indeed, it is reassuring to know the rest of the team in the theatre is being kept in strict order.

Neatly stitched up and operation successfully completed I would not have described myself as a satisfied customer. I wasn't a customer at all, but a patient, who had trusted a near-stranger to put two foreign bodies into my upper jaw, and who was relieved to have it over with.

The cover story in last week's Forbes magazine was on the time-honoured subject of perks. Apparently companies are now tiring of firing people and are dreaming up ways of keeping the remaining ones sweet. Much of the evidence sounds marginal and gimmicky: at one software company you can take your dog to work; at another you get free herbal therapy and massage.

But a few companies really seem to be on to something. At Andersen Consulting in Chicago, they will send someone to pick up your car from the garage, or round to your house to let in the engineer who is coming to fix the central heating. At Wilton Connor Packaging in Charlotte, North Carolina, they go one better with a handyman who will do all your domestic repairs while you are at work. They also have an office laundry, where you can dump your washing in the morning, and have it folded and waiting for you when you go home.

These schemes are good because they recognise what is lacking in most of our lives: a housewife or a househusband. Companies which really want to keep their people should consider going one step further by providing a service that covers all the above, plus shopping, cleaning and putting the slippers out. It would, of course be expensive, but I, for one, would be happy to settle for a lower salary if there was a valet/housekeeper thrown in. And finding the extra staff should be no problem. Think of all those who have just been downsized out of a job.

Signs of culture clash in a recent merger between a US company and a Swedish company. The Swedes show up five minutes early; the Americans arrive on the dot, but keep looking at their watches so as not to be late for the next one. The Swedes, who do not believe in small talk, look on uncomprehendingly as the Americans discuss the weather; the Americans can't understand why their Swedish colleagues are being so standoffish. It sounds awful. Meetings are bad enough at the best of times . . .

BUSINESS EDUCATION

Cambridge has bowed to market pressures to offer a one-year MBA course, says **Della Bradshaw**

A judicial review

Time is money, runs the old adage. For some European business schools the truism is proving particularly pertinent. They are finding it increasingly difficult to persuade students to study on master of business administration (MBA) courses lasting longer than a year.

Even that most elite of British universities, Cambridge, has now succumbed to market pressures and from autumn 1997 will provide a one-year MBA course to run alongside the established 21-month sandwich programme. John Hendry, MBA course director at the Judge Institute of Management Studies at Cambridge, predicts that some 75 per cent of students will opt for the 12-month course from next year.

The Cambridge MBA has had a short but unusual history. This is the second time the course length has been altered in six years.

The initial course, based on ideas of management writer Charles Handy, was for a three-year course, with students spending one term each year at Cambridge.

"Educationally it was a dream. For employers and students it was a nightmare," recalls Hendry. The biggest problem was that the course was instigated during a period when many companies were downsizing, laying off managers 'left, right and centre only to discover that among the staff were some to whom they had a three-year educational commitment.

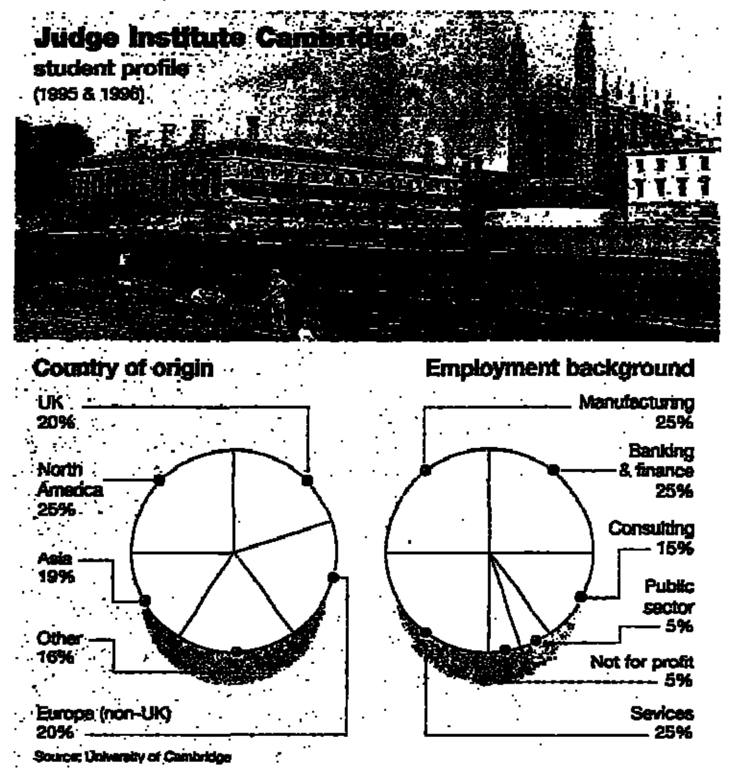
Today's 21-month course consists of six months of study followed by a 12-month work period and finishes off with a series of elective courses and a dissertation. There are a maximum of 80 students on each course and the teaching is largely based on small work groups and tutorials.

The 12-month course will follow a similar pattern without the work break. But the dissertation load will be increased, with students having to write 16,000 words. "An MBA has to cover a lot. It just has to," explains Hendry. "The dissertation gives a chance for deeper thinking. Cambridge is a very good place to do that. As we press everything into a one-year timescale we're trying to protect that."

Student demands were the obvious impetus behind the compression of the Judge MBA, but there were other pressures. Because the sandwich course requires the full support of each student's employer, Judge found it was turning away very promising potential students because the employer was lukewarm in support.

A further impetus may well have been the decision by Oxford University to launch its first one-year MBA this autumn. Hendry believes the two courses will be very different, with Oxford falling back on its huge academic standing. "We claim ours is the most practical MBA in the world. We took the view that the academic side was so deeply entrenched here that we could push the practical without compromising the academic worth. We felt that was the best learning environment."

To outsiders Oxford may seem like Cambridge's biggest rival. But to Hendry, Oxford is an ally. "Our brands are very closely linked. I hope Oxford is successful. If it is not, it will reflect on us."



Hendry expresses some concern already over the pricing of Oxford's MBA – just £12,000 compared to the £17,500 Cambridge is planning to charge for its one-year course. Those, he says, are domestic market fees.

Cambridge, on the other hand, is aiming for the international market, with fewer than 20 per cent of students coming from the UK. Indeed, Hendry classifies the Judge Institute as one of Europe's most international schools, alongside Insead, in Fontainebleau or London Business School.

However, in one respect Cambridge and Oxford are very much in competition – for funds. While Oxford mires in controversy over whether to accept the £20m donation by Wafic Said, the Syrian-born entrepreneur, to build a city centre business school, the Judge Institute is looking for a benefactor to fund a new library. The cost? A mere £2.5m to £3m.

Where the US lags behind

While it is commonplace for European business schools to offer one-year MBA courses, in the US it is the exception rather than the rule.

The Katz school at the University of Pittsburgh, which pioneered the American one-year course as long ago as 1960 when it set up its graduate programme, has consistently stuck to the format. But elsewhere those American schools which are considering shorter courses are doing so alongside their longer MBA programmes. "We're seeing schools slowly move in this direction, but they're hedging their bets," says Katz's interim dean Andrew Blair.

The course is particularly attractive to overseas students

Blair believes cultural and managerial problems preclude most US business schools from shifting wholesale to a one-year programme.

Another problem would be the potential loss of income. Schools could double the number of students they take in any one year, but that would potentially lower entrance standards.

The Katz school takes in 275 MBA students a year, out of 1,000 applicants. And by US standards the course is proving particularly attractive to overseas students – 38 per cent of students are from outside the US. Blair says the prime attraction is that students need only take a one-year career break and that reduces costs. The Katz MBA, he argues, is the best value MBA available in the US, a view recently endorsed in the rankings of US business schools produced by the US magazine BusinessWeek.

The Katz course, insists Blair, is 11 months of intensive work, with the four semesters of study usual on an American MBA course crammed into three semesters. The course dates have recently been altered so that students start in July and graduate in June, enabling them to compete for jobs simultaneously with graduates from longer courses.

DB

Travel News • Roger Bray

Delays take off

Bad tidings for business travellers: latest UK government figures suggest charter airlines are defying the curse of air traffic disruption, but the number of delays on scheduled flights is increasing again.

In the second quarter of this year, only 78 per cent of scheduled services took off punctually from London airports, compared with 81 per cent in the same period of 1995. At provincial airports the figures were 80 and 82 per cent respectively though Birmingham, which despatched 88 per cent of its scheduled flights on time in both quarters, was a shining exception. "On time" means getting away not more than 15 minutes late. It was the second quarter running that the number of scheduled flight delays had risen. In contrast, overall delays to holiday flights were no more frequent than in the same period last year.

New services

Big expansion plans for Air Jamaica. It aims to start flying between New York and the Caribbean islands of Barbados, Antigua and St Lucia in February. Spring should see the launch of flights to Atlanta and Los Angeles. The planned new services were held up originally by a complicated row over air safety. The Washington-based Federal Aviation Administration insisted that the Jamaican authorities sharpen up infrastructure before the airline could operate its newest Airbus A320 jets into US airspace. Criticism was not levelled at Air Jamaica itself, which was later given the green light.

Health check

Doctors and nurses have been on strike in Zimbabwe. Visitors who may need emergency or specialist treatment should check the latest situation before travelling there. The dispute forced the closure of most casualty wards in the main hospitals of Harare and Bulawayo, and private clinics were reported full.

Taxing perks

Sweden's politicians are poised to send a chilling message to the business travel world next month. Parliament is due to vote on a tax proposal which would make travellers responsible for declaring any perks earned from frequent flyer or other loyalty programmes while travelling on behalf of their companies – and later used for private gain. The Stockholm government has already decided to tax such rewards. From January 1, the levy will apply to all points earned on air tickets, hotel stays and car hire. Now it is proposed that employees who fail to come clean could be fined or even imprisoned.

Frankfurt surfers

Everybody's gone surfing. If the bar at Frankfurt's Lindner Congress Hotel is unusually empty, it could be that guests are busy tapping into the Internet. The 315-room hotel claims to be the first in Europe to provide a PC in every room.

More point

British Airways and Indian domestic carrier Jet Airways have started accepting each other's frequent flyer points. Members of BA's Executive Club programme may now cash in miles for free travel to 20 destinations across India. Passengers belonging to the Jet Privilege Club can use their points for international flights with BA. Jet Airways is about to launch several new routes, including a Delhi-Chennai (Madras) service.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	14	14	14	15	14
Hong Kong	27	28	29	28	29
London	11	8	8	6	7
Frankfurt	4	5	5	4	2
New York	11	7	7	7	6
L Angeles	23	25	24	22	25
Milan	4	8	5	7	4
Paris	9	8	6	6	5
Zurich	4	5	6	5	2

Information supplied by Meteo Consult of the Netherlands

Checking in at the airport is becoming an increasingly traumatic experience, writes **Michael Skapinker**

Passengers held in check

Contrary to popular myth, Canada is not boring. How Toronto manages to be so clean, calm and ethnically diverse while US cities a short distance away seethe and rot is a question that should interest even the most jaded travellers.

That Montreal, a French-speaking city, boasts a handsome monument to soldiers who fell in Britain's cause in the Boer war, is deeply fascinating.

No, what Canada is is civil – which is how I almost missed my flight to London and discovered what every traveller knows: that when it comes to using an airport, there is nothing to match the trauma of the check-in queue.

Things can go wrong once you have your boarding pass. Your pocket calculator might set off the metal detector at security, your hand luggage might be turned inside out, there might be no seats in the departure lounge because sprawling backpackers are occupying three each.

But once you get through check-in, at least all the important questions have been answered. Have you been bumped from an overbooked aircraft? Will you get an aisle seat? Will you be upgraded? And, most important, will you make the flight?

I had arrived at Toronto airport an hour before departure – too little these days, perhaps, but there were only two parties ahead of me in the Air Canada check-in queue.

The couple at the front had a problem; from what I could gather, the woman's passport had expired. Despite this, she seemed to think she should be allowed to fly.

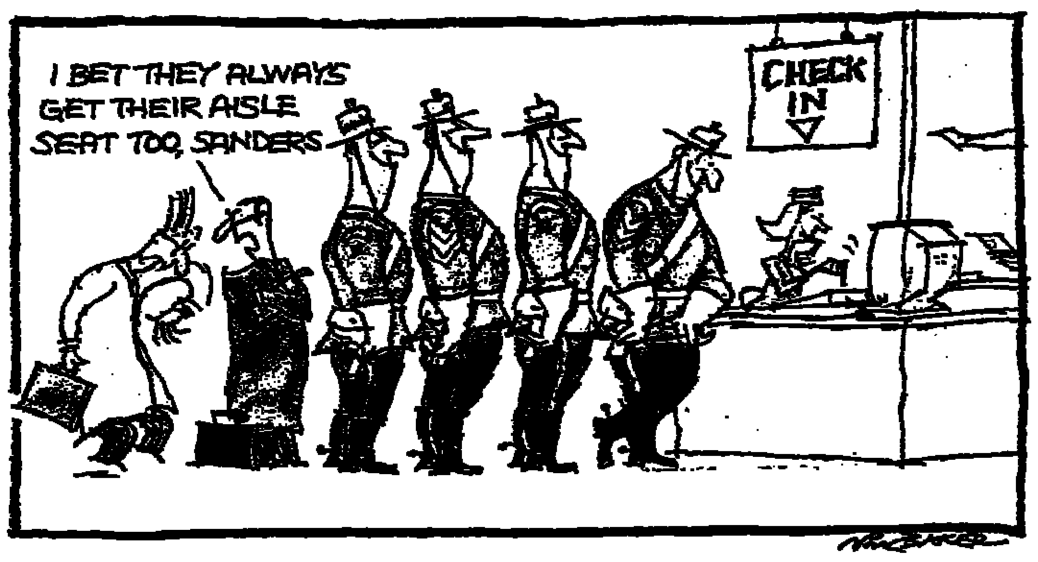
In other countries she would have encountered a range of responses, from an icy "I am sure you understand we cannot carry passengers who do not have valid passports" to being wrestled to the ground, manacled and marched out of the airport by a man with an automatic weapon.

Not in Canada. The Air Canada check-in clerk was determined to find a solution. She wandered along the other desks, consulting her colleagues. They knitted their brows solicitously.

The minutes ticked by. I was getting edgy. A long queue was building up behind me. Eventually, our check-in clerk returned, and, with many apologies, commiserations and promises to meet again, the couple were led to an office by an equally civil Air Canada functionary.

There was only one group in front of me now. They were a family of eight, all adults, but they could all be checked in together. They were, but there was a problem. They all wanted to sit together. The Air Canada clerk was the picture of compassion. She tapped away at her computer, searching for a way to seat eight people together on a crowded aircraft.

I began to fret even more. The man behind me, an American, started grumbling quietly. The Canadians looked on serenely. I could take no more. "We're going to miss our plane," I said loudly.



The Canadians shifted with embarrassment.

Another Air Canada clerk appeared, slid behind an empty desk and checked me in quickly without meeting my gaze. I ran for the gate. My last vision of this kindly country was of a woman crying in the departure lounge. A policewoman was stroking her hand.

I am not the only person to have felt anxious in a check-in queue. Sir John Egan, chief executive of BAA, the UK airports group, says his company's research shows that nothing upsets his customers more. "Check-in is a horrible process for most people," he says.

Long, slow-moving queues, computer breakdowns and strikes add to the problems. The most obvious answer is to arrive early. Airlines operating from BAA airports such as London's Heathrow usually specify that passengers should arrive two hours before long-haul flights, but even that is often not enough.

For a Boeing 747-400 flight, which carries more than 400 passengers, the queues often snake around the terminals hours before departure.

Increased security at many airports in the wake of the mysterious TWA Boeing 747 crash in July has made the queues even longer. Travellers flying from Israel's Ben Gurion airport missed their flights this summer even after arriving three hours before departure.

What can be done? At Heathrow, which is bursting at the seams, the airport has installed what it calls "cute check-in desks" at Terminals One, Two and Three. Cute desks are no more endearing than the standard variety: cute stands for "common user terminal equipment".

These are desks which do not belong to a particular airline but which are available for use by a carrier whose check-in queues are becoming unmanageable. Check-in staff can move into the desk when needed, put their airline's name on an overhead monitor and call over passengers from existing queues.

BAA is helping airlines to study their flow of passengers to help them predict the busy periods when they need to increase the staffing of their check-in desks.

The airport also broadcasts announcements for passengers from specific flights to pass through immigration as soon as they have their boarding passes to cut down on the number of people milling around the check-in areas. Barriers at check-in queues are used to prevent queue-jumping, which causes arguments and hold-ups.

Longer term, Sir John bubbles with plans to eliminate the check-in queue entirely. Airlines are introducing ticketless travel in both the US and Europe, which should lead to more passengers checking themselves in by inserting their credit cards into electronic machines.

BAA wants passengers to be able to check in at their hotels before setting out for the airport. Virgin Atlantic has opened a check-in facility at the car park in Heathrow's Terminal Three. But allowing people to check in their luggage outside the airport carries security risks. Sir John admits off-site check-in will only really take off when effective bomb-detecting technology is available at a large number of sites.

In the meantime, most of us will still have to line up at the airport. Boeing of the US and Airbus Industrie, the European consortium, plan to build 550-seat aircraft. The check-in queues for those flights should be fun.

Rowdy in the skies

A drunken, knife-waving passenger forces an aircraft to make an unscheduled stop in Tennessee. A Saudi princess is accused of choking a stewardess on a flight to Boston. A passenger fights with crew members and tries to open a door, forcing an emergency landing in Ohio, AP reports.

What is going on in the skies? That question is being pondered by the US airline industry. Last week the Federal Aviation Administration issued an advisory circular to airlines dealing with the growing number of unruly passengers.

"We are seeing that [incidents] are more serious as well as more frequent," said Jill Gallagher of the Association of Flight Attendants. "We can only guess at the reasons."

The FAA's circular recommends that airlines establish a formal policy for such cases, including "zero tolerance" of passenger misconduct. Air crews should be encouraged to report all incidents, with law enforcement agencies called in as necessary.

"We will not tolerate any interference with the vital safety functions performed by crew members," Linda Hall Daschle, the acting FAA administrator, said.

Your tickets are in the ether

Microsoft aims to simplify booking travel by computer, writes Amon Cohen

Booking travel by computer is reasonably easy today, but Microsoft plans to make it simpler still by 2000. Imagine that Mr Bell in Glasgow asks consultant Ms Rossi of Milan to visit him. Using Web technology, Rossi consults Bell's electronic diary, finds a free time that is also convenient to her, and books the meeting.

Following this instruction, her computer automatically offers her a flight from Milan to Glasgow that ensures she arrives at Bell's office on time. Because Rossi is allowed by her company only to travel economy class, the system offers her an economy class seat.

Her computer also offers accommodation at a Glasgow hotel. It so happens that Rossi's company has a Europe-wide discount deal with Marriott. So, the first room the system offers is at the Glasgow Marriott. Rossi amends or approves the suggested itinerary and the system makes all the necessary reservations.

"Within the next three years, travel planning will be part of our standard Office suite of applications," says Greg Slyngstad, Microsoft travel business unit general manager.

However, travel planning is already very much a core strategy at the new, Internet-focused Microsoft. Having decided that personal computer operating systems have a limited future, Microsoft now believes that the Net will become the standard computing platform and that money is to be made by providing content for it.

For Microsoft, travel is foremost among the content it wishes to provide. "When you are planning travel, the need for a business travel agent is as a provider of information," says Slyngstad. "The Internet is all about information, which is why we think travel is ideal."

Microsoft forecasts that 20 per cent of all travel bookings in the US will be made electronically by 2000, which is why last month it became the latest company to launch a travel reservations system on the Net. Called Expedia, it is essentially an extremely user-friendly front-end to Worldspan, one of the world's four biggest travel computer reservations systems.

Expedia will be launched in Britain next February, and, four to six weeks later, in France and Germany. While Microsoft waits for the world's airlines to shift to electronic ticket distribution, in the UK it has contracted AT Mays, the third largest leisure travel agency chain, to issue and distribute old-fashioned paper tickets.

The link will give UK users of Expedia an additional benefit not available to customers in the US: access to the 700,000 cheap, consolidated (or what used to be called "bucket-shop") fares offered by AT Mays.

"The process will be transparent to the end user but Expedia will do a double search," says Microsoft UK travel manager Martin Gregg. "It will check Worldspan and it will also check the fares database of the partner agent."

Aside from the consolidated fares, Expedia has several attractions when compared with other self-booking systems. For example, screens are noticeably cleaner and more comprehensible than those of many rivals.

Particularly impressive is the hotel booking system, a database of 30,000 properties which takes full advantage of Microsoft's mapping technology. Travellers can call up a detailed map of a city and draw the area in which they want to stay. Within those geographical parameters, it is possible to add further criteria, such as a requirement for hotels charging less than $100 (£60) per night.

The system will then provide a list of hotels which meet all the specifications. The maps can also measure the distance from the chosen hotel to other points in the city.

Microsoft soon hopes to add a comment button to its hotel screens. Travellers will submit their opinions on a particular property, which other users will be able to consult before deciding whether to stay there.

For destination information, there is a series of online guide books called *Expedia World Guides*. Microsoft has also launched *Cityscape*, an online entertainment listings magazine. *Cityscape* already exists for Los Angeles, San Francisco and New York, and is now in preparation for London.

Microsoft's intention is to provide information that a traveller will not unearth quickly, if at all, by telephoning his travel agent. It says 80 per cent of interviewees in one of its American surveys said they would have liked to have made their own booking arrangements given the necessary information.

To some extent, that demand remains frustrated by the relative inability of today's Net to handle electronic commerce. But in future, extended bandwidths will enable Net information to be conveyed quicker and in greater quantities than at present, allowing travellers to see moving footage and to avoid the familiar delays that currently bedevil electronic transactions.

In fact, Microsoft is working on additional ways to simplify the travel-booking process. Slyngstad predicts that in three to five years it will have cracked natural language parsing, so that its system will be able to book an air ticket based on a typed instruction such as "I want to fly from Paris to Brussels next Wednesday at 11am." Also on the way are voice-recognition systems.

Closer to the present is Windows CE, a personal digital assistant platform launched recently by Microsoft. This new generation of hand-held computers with their own miniature modems gives full access to the Net, including Expedia. It could prove useful for someone, say, who unexpectedly had to remain in Frankfurt overnight. All they would have to do is take Windows CE out of their pocket, find the electronic map of Frankfurt, see which hotel was nearest to their meeting, check room availability and tap in their reservation.

All this is good news for individual business travellers, but less so for the companies which pay for their travel. Easy access to reservations gives increased opportunities for travellers to circumvent company policy and book a flight with airlines whose frequent-flyer schemes they like best, or to stay in favourite hotels. Furthermore, bookings made independently do not contribute to volume-driven discount deals that the traveller's employer makes with airlines and hotels.

Such situations require a managed travel solution, usually handled through a business travel agent. Microsoft is attacking this market through a two-year exclusive licensing deal for corporate travel activities with American Express. Code-named Rome, the jointly developed system will be launched in the second quarter of 1997 on intranet and restricted-access Net platforms.

"Rome will take the fundamental elements of Expedia and add the ability for corporate travel managers to input their corporate travel policy and deals with major suppliers," says Slyngstad.

All bookings will automatically feed through to the management information systems that allow corporate purchasers to analyse their travel expenditure. The data will also be entered on travellers' electronic expense forms, which could reduce time spent each month on the tedious and costly expense reimbursement process.

Microsoft refuses to put a figure on how much it is paying to enter the travel business. Suffice to say that its travel unit in the US has 100 employees. "Only a few players can continue to invest in this business," says Slyngstad. "It will not be profitable for the next couple of years."

For such a risk, Microsoft must be expecting significant returns, just as it has made from the operating systems that underpin most of the word processing, database and spreadsheet programs in use today.

Business travel is becoming a technological process that could find itself inextricably linked with other Microsoft computing applications, as in the example of Ms Rossi's itinerary. If that is the case, then Microsoft, the biggest landlord in the virtual world, could acquire part-ownership of the freehold of commercial travel, as it has in so many areas of information technology. If that happened, the profits would really start to flow.

Cyber sightings

● Now that the US election, with its ever-developing online campaigning techniques, is behind us and the election in the UK is getting nearer, there is a site for anyone interested in interactive democracy and the impact of technology on the civic process.

www.democracy.org.uk is under construction and looks very promising indeed. In common with previous global ventures, like the Minnesota e-democracy project, it will host public discussion forums as well as a virtual library and resources. The current thread is on Britain and European monetary union. An entirely worthwhile and long overdue endeavour.

● Strive magazine (*www.strivemag.com*) bills itself as the "career guide to the new economy" and is aimed at young professionals searching for or establishing a career. Good range of content, simply laid out. The first issue has a Q&A with US labour secretary Robert Reich and a feature entitled "Who needs an MBA?". Click on the Hacker icon for cool tips. A nice start, worth bookmarking.

● Consumers International (*www.consumersinternational.org*) is a global non-profit organisation for the protection of consumer interests. The site has newsletters, details of current issues and campaigns, regional contacts and a good list of related resources.

● Details of the 1997 Harvard Asia-Pacific Business Conference, to be held at the end of January, are at *http://wasat.hbs.edu/abc/conference97/index.html*

● *www.contaminated-LAND.co.uk* is worth a look if you are involved in the environmental or planning fields. Good informative material, with a useful set of external links. It's image-free, which makes for quicker downloads, but the navigational icons are Netscape-specific, so you might have a problem if you use another browser.

● If you are interested in military history, take a look at *www.battletours.co.uk* from Holts Tours, which outlines details of military theme trips and holidays. Fascinating stuff, even if you are not Liddell Hart.

● The Rotary Club of Minsk (*http://exch.bank.minsk.by/rotary/welcome.htm*) is putting up a site sponsored by the Belarus Exchange Bank Corporation, with other Rotary links and details of club activities. So if you're ever in the area ...

● Finally, continuing its relentless expansion, Yahoo! has launched its Washington DC service (*http://dc.yahoo.com*), joining other US city-specific services in Chicago, Los Angeles, New York and San Francisco.

● Oops. Slip of the brain last week when I mentioned the health and fitness Webzine Balance I gave the Net address as *balance.com*. It is actually *balance.net*.

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Tim Jackson

Underconsumption

When the Consumers' Association went online at the beginning of this month, the reaction of the British press was tinged with cynicism. Here was one of the world's most vigilant consumer organisations, offering an online content package bundled together with dial-up Internet access and charging close to the top of the industry price range while claiming that its price was "competitive". Who could resist pointing out, in the style of its own magazine, that this claim was at best meaningless and at worst untrue?

I believe that taking a large consumer organisation online could be truly remarkable and revolutionary. But a look around the site late last week revealed few clues to its potential, and too many signs of flawed execution.

The pricing of the service is a symptom of a mistake that has become so common in the UK that it ought to be called the British technology disease: throttling the market at birth by charging too much. Which? Online, as the service is called, costs £14.75 ($24.84) a month for Internet access plus its content.

This price may sound modest to US readers, but Internet access costs much less in Britain because high per-minute rates for local calls force customers to keep their monthly usage down. The online service alone is priced at £7.75 – astoundingly high by comparison with daily newspapers offering more material at lower prices.

This pricing may make sense for customers who subscribe to two or more of the organisation's paper products and plan to cancel their subscriptions. But most people are not in that category. For them, the key selling point of Which? Online is its range of forums where consumers can exchange information.

At present, the forums look like a party that nobody came to. Looking through half a dozen topics, I found a handful of welcome messages from "Sysop", the systems operator, inviting people to add comments; a solitary bed-and-breakfast review; and a question from someone who was considering buying a Daewoo car and wanted to know if anyone had any advice to offer.

The only spark of life came from a customer called "Blackmore", who had posted a number of truculent complaints all over the site, asking why the search engine did not produce anything when he typed in "washing" and "machines", and pointing out angrily that the service offered nothing that was not already available in print.

There was supposed to be a group of experts offering online advice, but as far as I could tell they were lurking like lazy shop assistants, hoping nobody would ask them for help.

When asked about this, the people at Which? Online replied that they had not wished to cheat by seeding the discussion groups themselves. This seems a feeble excuse. If you want to start a street market, you can't just paint lines on the road to mark out the stalls and then wait for the crowds and the barrow-boys to come. Having spent what looked like well over $1m on putting 10,000 pages of information on the Web, Which? Online seems to have devoted no attention to turning its site into a real community.

This error might have been forgivable were it not for the fact that there are examples to learn from. The Microsoft Network, competing with AOL and CompuServe, faced exactly the same problem on a larger scale when it was started less than two years ago. It approached the problem methodically, hiring talented moderators for each subject area and beginning with a few forums that it broke out into separate strands as the traffic grew.

Which? Online also takes remarkably little advantage of the opportunities of the Internet. For instance, it sells nothing online; when you click to buy a book, you get a message telling you to call a free 800 number. The Which? Personal Service, which dispenses specialist advice for an extra fee, is accessible by telephone but not by e-mail. Strange, when you consider that the Consumers' Association is fully wired with e-mail.

Do these flaws matter? In a start-up, with limited funds to cover negative cashflow, they could well be fatal. But the Which? businesses have 800,000 subscribers, and can afford to waste a lot more money on their mistakes than most organisations. They also have an effective monopoly in consumer information.

My guess is that eventually, the people at Which? Online will start to look around the Web and start to imitate the imaginative things that other organisations are doing. A year or two down the line, the service will probably use the Internet to cut its research costs sharply and to offer a dramatically improved service to customers, customised to deal with exactly the products and services they are interested in.

It is easy to be cynical about such services, and to ask why anyone who has any life at all would wish to spend an evening in front of a computer screen clicking away at stories with headlines like "Volvo in long-running sagas". Toasters and dishwashers may be terribly dull by comparison with the hot news, sex chat and soaring technology stock prices that do so well elsewhere on the Web. But in the long run, consumer information is probably more useful.

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SPORT / ARCHITECTURE

Michael Thompson-Noel • Sport

Jet-setting Singspiel wins £1m Japan Cup

Jockey Frankie Dettori, 25, crowned a memorable year with victory yesterday in the 1¼-mile Japan Cup in Tokyo, the world's third richest horse race. Dettori was aboard the globe-trotting, Irish-bred, English-trained and Dubai-owned four-year-old Singspiel, who won by a nose.

Disappointingly, the French-trained Helissio, winner of this year's Prix de l'Arc de Triomphe in Paris and hailed as the best Arc winner for years, was beaten into third place, 1¼ lengths behind the first two, in a dead-heat with Strategic Choice, another English-trained runner.

Singspiel, sent off at odds of 6.6-1, scraped home from the Japanese-owned and trained Fabulous La Fouine. This was the first win by an English challenger in a decade, and was worth the equivalent of £1.07m, doubling Singspiel's earnings.

Singspiel is a veteran of the jet-set circuit on which the world's top racehorses compete. He won the Canadian International for owner Sheikh Mohammed bin Rashid Al-Maktoum at Woodbine in September, followed by a gallant second to Pilsudski – also trained by Michael Stoute at Newmarket – in the Breeders' Cup Turf race in Toronto.

Stoute, enjoying a golden autumn, said: "My colt is accustomed to such [close finishes]. He's been in six photos and lost five. Today was his day."

Dettori, who dealt UK bookmakers one of their costliest ever blows by riding all seven winners – an unprecedented feat – at England's Ascot racecourse eight weeks ago, said: "It's been one of the best days of my life. The Japan Cup is very famous, very prestigious. It was a great battle and a wonderful race."

Arc winners have a poor record in the Japan Cup, and Helissio's jockey, Olivier Peslier, reported that his mount had been a little below par. In addition, the favourite had "seemed worried about the whips of other [jockeys] as he moved through the crowded pack".

Fabulous La Fouine ran a fine race in defeat, and Strategic Choice, another much-travelled animal, also performed with credit. Saintly, the Melbourne Cup winner, was scratched earlier yesterday, leaving 15 runners. The gelding, regarded as the best racehorse in the southern hemisphere, had a difficult 14-hour trip from Australia and developed a fever.

In total value, the Japan Cup is topped only by the Dubai World Cup and the Breeders' Cup Classic.

The four-year-old Singspiel had himself run a fever since arriving in Japan, but Dettori said the colt's training and conditioning had been good enough to get the horse to the starting line in excellent shape. Dettori said Stoute had advised him about Singspiel's acceleration, telling him: "Don't push that button too soon. It is a very big button."

Japan's Bubble Gum Fellow, the second favourite, faded to finish 13th, while US entry Awad was fifth for the second year running. Third favourite Pentire, trained in England, was 8th.

Yesterday's performances by the English-trained runners are another reminder that top-level horse racing is a thoroughly international business, and cast further doubt on the justification of the British Horseracing Board's appeal for another reduction in the rate of off-track betting tax in tomorrow's UK Budget.

The board maintains that British racing offers owners dismal returns on investment compared with returns in other prominent racing countries. But the arithmetic with which the board argues its case for a cut in betting tax ignores the large sums won by British-trained raiders in foreign races.

On that basis, Singspiel's valiantly-fought victory yesterday may be seen as counter productive by some of UK racing's greediest owners and bureaucrats.

■ Women's rugby is said to be Britain's fastest growing sport, which sounds ominous to those of us who think men's rugby is bad enough, without women galumphing around thuggishly.

Nevertheless, I have received a fax from Caroline Griffiths of Bread for Life, a body that promotes sales of bread in the UK, boasting that whereas there were only 12 female rugby teams in Britain in 1983, last year there were at least 220 clubs, many with three, four or more teams, and that the number of UK females who now play rugby regularly is about 10,000.

Bread for Life has announced what it calls the biggest ever sponsorship of women's rugby – worth more than £100,000 over three years – and is an official supplier (of bread, presumably) to the England squad.

"Our aim," says Griffiths, "is to raise the profile of the sport and to encourage more women to take part. Traditionally, women's rugby has fought for financial survival and recognition in what is considered to be a male domain. If you are interested in running a feature on women's rugby ... please do not hesitate to give me a call to discuss your ideas further."

I have seen some irritating faxes in my time, but nothing to rival Griffiths'.

■ China is not pleased by claims in the west that many of its sporting achievements of recent years were drug-fuelled. Yet its efforts to combat these claims sound prosaic, to say the least.

What China needs is a cutting-edge, globe-girdling marketing outfit to help it achieve rehabilitation. Instead, last week it signed a four-year agreement with Norway, if you please, under which Chinese and Norwegian athletes will be tested for drugs when competing in each other's countries. According to the official Xinhua news agency, China's and Norway's sports bodies will also exchange information on combating doping.

Yang Tianle, head of the sports ministry's medical committee, said such co-operation should help "some western countries to cast away prejudice on China in the fight against doping". China has signed similar agreements with Australia, Canada and Sweden.

China's sporting rivals have repeatedly claimed that drugs played a crucial role in Chinese sporting successes in recent years, despite indignant denials. Seven Chinese swimmers were banned for failing drug tests just before the Asian Games in Hiroshima in 1994.

The Chinese Olympic Committee tested 2,000 athletes this year, with some stars subjected to seven or eight tests (mostly spot checks), the committee's vice-president, Lou Dapeng, says. Lou says long-distance runner Wang Junxia was tested 12 times in the approach to the Olympics in Atlanta, where she won gold and silver, while swimmer Le Jingyi, who won a gold and two silvers in Atlanta, was tested 10 times.

That is all very well. But China has far to go before its critics are convinced its pill-popping days are behind it. When it comes to drugs, mud sticks.

Reuter

The ubiquitous Frankie Dettori on Singspiel (centre) moments after crowning a memorable year in the Japan Cup yesterday

Colin Amery • Architecture

Vinoly lightens Tokyo's dark heart

Architecture can be seen as a full-scale version of performance art. But it is a performance that lasts and can be almost permanent. In Tokyo one of the world's great architectural performances has just been completed. Rafael Vinoly, a leading American architect, won the competition to design the International Forum on seven acres in the heart of Tokyo. The new civic centre he has produced may be the eighth wonder of the modern world.

Rafael Vinoly was in London last week. His practice is in New York, Tokyo and Buenos Aires but he was born in Montevideo, Uruguay, and his thinking about architecture is in tune with the general revival of interest in inner cities and the belief that architecture can redeem the damage of the last decades.

The forum, to be officially inaugurated early in 1997, is in every way a giant. It has been compared to the Sydney Opera House and to Big Ben in London, not just for its size but also because it gives Tokyo a civic, symbolic and public heart. When you fly into Tokyo, especially at night, you see a city with a heart of darkness. This is the Imperial Garden surrounding the palace of the Emperor: moated, dark and forbidding. Around it are the dense, brightly lit streets where neon advertising has become an art form. Tokyo is the Manhattan of the east. Now it has its own Lincoln Centre.

It has four performance halls *for dance, concerts and theatre.* There is an enormous conference centre and beneath are the interchanges of 11 underground railway lines. The complex is much more a piece of 21st century urban planning than merely a piece of architecture. Vinoly has given a great indoor civic space to a city that lacked one.

In photographs the great hall, eye-shaped on the plan, is the equivalent of a new Crystal Palace: *staggeringly beautiful and* incredibly tall. You can see just by looking at the plan why Vinoly beat 395 other entrants in 1989. He put his four auditoria on the long street side of the site, and then he stretched the ellipse of the glass hall along the line of the neighbouring railway tracks.

This glass hall has been designed to deal with the problems of an earthquake-prone city. Structurally it depends upon a *great spine that runs the length* of the hall like a skeletal truss, designed with the engineer Kunio Watanabe. The hall is seven stories high with dramatic ramps and walkways crossing it.

Vinoly admits that the brief was imaginative. He would also be the first to admit that the client, the governor of Tokyo, made it his personal project, and secured the $1.5bn (£900m) funds.

The governor's aim was to cre*ate a building that could reflect* the status of Tokyo as a great international trading centre. It was also to be a place of passage. Between the glass hall and the auditoria there is a fine pedestrian plaza planted with trees and lined with shops and cafés.

Vinoly has enjoyed only limited fame until now. He does not indulge in the crazed excesses of the Deconstructionists or the feeble jokes of the Post Modernists. Instead, he has made the drama of structure and the intelligence of logical planning into an art form. Perhaps only in Japan would a city authority be able to impose an architectural discipline on such a large area. Other *cities should be talking to him.*

ARTS

OPENINGS

BERLIN
Under the artistic direction of Claudio Abbado, the Berlin Philharmonic Orchestra promotes a series of concerts each season with a theme shared by the city's leading opera, drama and film companies. This season's theme, *Berg and Büchner*, opens on Saturday with the first of three concert performances of *Wozzeck*, the opera which Berg based on Büchner's play.

GLASGOW
Some of the most spectacular objects from museums of the Ukraine and Black Sea regions can be seen in the UK for the first time in an exhibition opening on Friday at the Burrell Collection. It includes more than 150 examples of jewellery, stoneware and ornaments from the 5th century BC to the 5th century AD.

LONDON
Newly restored to their 19th century splendour, the Victoria and Albert Museum's Silver Galleries reopen on Wednesday. The Galleries contain a new display of the National Collection of English Silver from 1800 to 1900, plus more than 1,200 silver and gold objects (left) by some of the world's most famous goldsmiths.
The Royal Shakespeare Company's greatly-acclaimed production of *The Cherry Orchard*, directed by Adrian Noble, has its London premiere in the West End tonight at the Albery Theatre. The cast is led by Penelope Wilton and Alec McCowen (above, centre).
At Covent Garden, the Royal Ballet presents a creation from Ashley Page as part of a new triple bill: MacMillan's *Winter Dreams* (which is Chekhov's *Three Sisters*) and William Forsythe's abrasive *Steptext* complete the programme.

AMSTERDAM
The Van Gogh Museum has organised a retrospective of Sir Lawrence Alma-Tadema, the Dutch-born artist who became one of the most celebrated painters in Victorian England. After his death in 1912, Alma-Tadema's vision of classical antiquity was dismissed as "scented soap", but his illusionist devices were later picked up by the film industry. The exhibition opens on Friday and will move to the Walker Art Gallery in Liverpool in March.

STRATFORD -UPON-AVON
The RSC opens its new season with two new Shakespeare productions: the seldom-seen *Henry VIII*, directed by Greg Doran, opening at the Swan tomorrow and *Much Ado About Nothing*, directed by Michael Boyd and starring Alex Jennings and Siobhan Redmond as Benedick and Beatrice, opening on Wednesday at the Royal Shakespeare Theatre.

CANBERRA
Paris in the late 19th century, opening on Saturday, is one of the biggest exhibitions organised by the National Gallery of Australia. It aims to portray Parisian life in the 1890s through paintings, posters, decorative art, sculpture and photographs – many of them on loan from the Musée d'Orsay in Paris.

Composer who harmonises extremes

Andrew Clark talks to György Ligeti about his alternative musical language

A pile of untidy papers, including the score of his own Piano Concerto, goes flying across György Ligeti's study – propelled by the composer's arms towards a distant corner of the floor. Ligeti, muttering in his inimitably craggy, crazy way, has decided his sofa is for sitting on rather than storage, and wherever those papers end up, they are not going to add noticeably to the chaos of his creative environment.

The comic absurdity of this little ritual in Ligeti's Hamburg apartment will come as no surprise to anyone who knows his opera *Le Grand Macabre*. Life's intrinsic untidiness appeals to him, but it offers little guide to the man or his music. What makes Ligeti interesting is his pointed imagination and subtlety of ear and mind. Here is a composer who exalts the machine-like precision of musical instruments one moment, and casts a timeless web of imperceptibly altering sound the next; a free-spirited intellectual, who takes ironic delight in the commonplace of life.

Ligeti is not so much a bundle of contradictions, more someone who harmonises extremes. One of the great questing spirits in music today, he has produced a flow of highly sophisticated scores *and* retained the ability to make people laugh. He belongs to no school. Unlike most of his contemporaries, he has constantly reinvented his musical language without losing a distinctive personality.

To underline Ligeti's importance, London's South Bank Centre has organised an extensive retrospective, starting on December 5. The composer himself will attend performances and give talks, and the Philharmonia Orchestra, conducted by Esa-Pekka Salonen, will repeat some of the programmes in Paris, Brussels, Frankfurt and Madrid over the next 18 months. The retrospective coincides with the release of the first four CDs in Sony Classical's project to record Ligeti's complete works.

The prospect of having all his music engraved on CD has stirred Ligeti to re-examine his youthful output and revise the work of his maturity. But it has held up his creative flow. The revision of *Le Grand Macabre* has occupied him for much of the past year – it is to be produced at Salzburg next summer, with several radically reworked scenes – and there is little prospect of anything new until 1998. His priority then will be *Alice in Wonderland*, a stage work inspired by his life-long fascination with Lewis Carroll. He says the idiom will be more Gilbert and Sullivan than grand opera, and that English National Opera will give the premiere.

Ligeti, 73, was born in Transylvania of Hungarian parents. He was sent by the Nazis to unload explosives on the Soviet warfront; most of his family died in concentration camps. That experience, followed by eight years of self-censorship in Stalinist Hungary, made him allergic to ideologies. This explains why he refused to abide by the rules of the Darmstadt serialists, who initially welcomed the refugee-composer after his escape from Budapest in 1956.

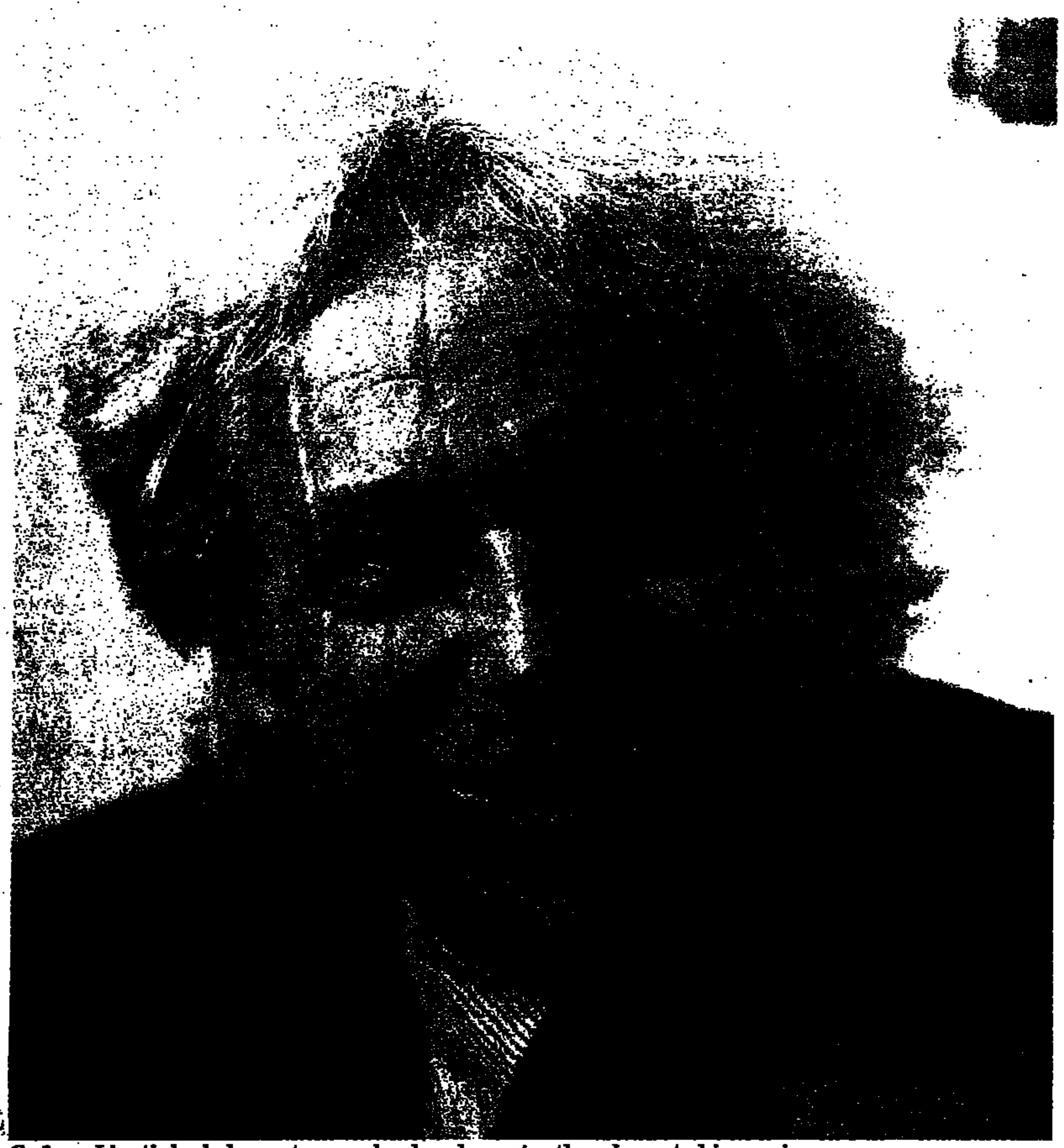
'All new art follows a chain of tradition – you can't escape it'

Ligeti astonished the musical world in the early 1960s with a series of massive sound-canvases which showed that there were indeed alternatives to serialism. Subsequently he moved towards a more transparent and directly expressive style, and has recently shown an increasing interest in melody and rhythm. Through all these developments, Ligeti has maintained his popular appeal, largely because his music freely acknowledges the past. Audiences can relate to a Ligeti score on first hearing without it being an intellectual sell-out. This irritates the avant-garde, who like to paint him as a reactionary.

Ligeti says composers who believe they can cut themselves off from musical tradition are deluding themselves. "All new art follows a chain of tradition – you can't escape it. When I arrived in the west, people were obsessed by Schoenberg, Webern and what followed, thinking "12-tone or not 12-tone?". The question on everyone's lips was *"Wie geht es weiter?"* – what path could music possibly take after Boulez and Stockhausen? I am modest enough to say that with *Atmosphères*, I showed it was possible to do something totally different."

He cites Tristan Murail, Gérard Grisey and the late Claude Vivier as composers who, like him, have explored alternative paths. "I cannot understand this idea of 'you have avant-garde and you have this postmodern, neo-tonal stuff', as if these were the only two possibilities, there *could* be no third way. There are always *a hundred* ways. You have to find them."

He dismisses talk of a crisis in music, arguing that the divide between tonality and atonality is a misconception. "Why must I divide an octave in 12? I can divide it like the slendro in Java, in five. It's a pentatonic system, but it doesn't correspond to the pentatonic on the black keys. An octave can be divided in all kinds of different ways. I like to experiment with these possibilities."



György Ligeti: he belongs to no school and constantly reinvents his music Clive Barda

Many of Ligeti's insights into alternative tuning systems were inspired by a little-known American composer, Harry Partch. "Partch constructed about 30 new instruments, often by retuning existing ones. For example, he would go from G at the bottom to a G one octave above, with 43 unequal steps in between. I visited him in California in 1972, I played the instruments. Then I began my Double Concerto, which is full of these micro-intervals."

His encounter with Partch also sparked an interest in non-European ethnic music, particularly from Latin America, Africa and Indonesia. Rather than travelling there for the purpose of research, as Bartók did in his exploration of folk music in the Balkans, Ligeti only needs to raid the world music section of any FNAC record store in France. The influence of ethnic music rarely surfaces directly; he uses what he hears as a spark for his own creative fantasy. "I don't copy it, but it has influenced my technical thinking, by opening my ear to a lot of other possibilities which are not of European origin."

Ligeti's search for what he calls "new realms and territories" stemmed from the belief that he had exhausted the possibilities of micropolyphony – the technique exemplified by *Atmosphères*, in which he created vast tone-clusters from hundreds of rapidly-moving small notes. He also wanted to dissociate himself from the 1960s avant-garde. "I still make experiments. You can look at my *Piano Etudes* from one side as old-fashioned Chopin and Liszt, and from another side as totally new rhythmic solutions. But I don't believe in the kind of experiment that means putting away the old criteria – that you can put shit on the table, spray it with gold and call it art. When I was part of the avant-garde, it was because modern art was forbidden in the Nazi and Communist eras, and my music was a reaction against that. It was a protest gesture, but eventually it became boring to me."

He says one of his objections to avant-gardism is its association with the kind of anti-bourgeois ideology which aims to change society. "I, too, came from the Left, and in the Soviet system I saw it was fake. It happens every time – it's like a dream, and when this dream approaches reality, it has a habit of producing mass murder. I'm not a social philosopher, but for me the idea of modernity is linked to social equality, social justice, and I have lost this idealistic faith in a better society. I have come to a more modest idea on the lines of *Candide* – "mais il faut cultiver notre jardin". Do what you do best, cultivate your own little patch, but don't expect to change the world."

The first part of "Clocks and Clouds: the music of György Ligeti" runs from December 5 to February 22 at the Royal Festival Hall, London (0171-960 4242).

Theatre

Playing games with Hamlet

Any review which begins "I yield to no man in my admiration for Robert Lepage . . ." is bound to continue with the word "but". So it is here.

The Québecois sorcerer's more-or-less solo version of *Hamlet*, which I saw at Nottingham Playhouse, is the most visually astounding piece of theatre. The strategy of his *Needles and Opium*, seen at the National Theatre in 1992, is maintained and elaborated. Lepage plays disorientating games with the audience's perceptions of space by staging scenes from a rear or overhead perspective and by the use of video cameras to supply alternative points of view. He flanks his figure in a centre-stage window with his real-time video image shot from either side, or over-projects it with a rear view; the final fencing duel is seen almost entirely via a miniature camera mounted on the poisoned foil.

Carl Fillion's set spins, flies, and endlessly reconfigures itself in a mesmeric geometrical ballet. Robert Caux's sonorous score, performed by the composer and his rack of silicon goodies at one side of the stage, includes electronic treatments of Lepage's amplified voice through pitch-shifters and harmonisers when he speaks the lines of other characters. Lepage appears to be in two places at once, thanks to judiciously cheeky use of a *doppelgänger*; we fail quite to see through the switches and it puts any performance of stage magic to shame.

The disappointment is that all these presentational wonders form the exoskeleton of a piece which has surprisingly little to say about Hamlet. Lepage has constructed his show from the outside in, and its exterior dazzles so much that we can see scarcely anything of the meditations which may be behind it. Whereas in *Needles and Opium* his own text complemented the imagistic richness to create a striking eloquence, the 95 uninterrupted minutes of another's words in *Elsinor* (delivered in an artificial stage-English accent) failed to convey much of note either to the heart or the head.

It was as if Lepage, despite having mounted the edited text in such a magnificent visual armature, is paradoxically timid about offering an interpretative performance himself; in this respect it is reminiscent of his productions of Schoenberg's operas *Erwartung* and *Bluebeard's Castle* in the 1994 Edinburgh Festival, or a Peter Greenaway film. Beyond a concern with mutability, relativism and uncertainty in all its forms, *Elsinor* is virtually mute. And so *Hamlet* provides us with yet another paradox: a production which is at once unenlightening and unmissable.

Ian Shuttleworth

On tour until December 14; National Theatre January 4-11 (0171 928 2252).

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● Jan Steen, Painter and Storyteller: major retrospective exhibition focusing on the work of Jan Steen (1626-1679). The exhibition, previously shown at the National Gallery of Art in Washington, features nearly 50 paintings from international public and private collections and examines the range of subjects and styles in this Dutch artist's body of work; to Jan 12

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Symphony No.2: by Mahler. Conducted by Niko Athinäos, performed by the Staatsorchester Frankfurt am Oder and the Chor der St. Hedwigs-Kathedrale Berlin. Soloists include soprano Helen Donath and mezzo-soprano Iris Vermillion; 8pm; Nov 26
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Wozzeck: by Berg. Concert performance, conducted by Claudio Abbado and performed by the Berliner Philharmonischer Orchester and the Rundfunkchor Berlin. Soloists include John Bröcheler, Waltraud Meier and Jon Villars; 8pm; Nov 30

BONN

DANCE
Oper der Stadt Bonn Tel: 49-228-7281
● Giselle: a choreography by Valery Panov to music by Adam, performed by the Ballett der Oper der Stadt Bonn; 8pm; Nov 26

BRUSSELS

EXHIBITION
Musée dArt Moderne Tel: 32-2-5083211
● Léon Spilliaert (1881-1946): exhibition featuring 41 works by the Belgian artist Léon Spilliaert from the museum's collection. Also sketch books, preparatory drawings, a poster design, photographs, letters and other documents are displayed, illustrating the life and artistic activities of Spilliaert; to Dec 15

COPENHAGEN

OPERA
Det Kongelige Teater Tel: 45-33 69 69 69
● Die Meistersinger von Nürnberg: by Wagner. Conducted by Heinz Fricke, performed by the Royal Danish Opera. Soloists include Bent Norup, Stig F. Andersen and Tina Kiberg; 5pm; Nov 29

DRESDEN

OPERA
Sächsische Staatsoper Dresden Tel: 49-351-49110
● Le Nozze di Figaro: by Mozart. Conducted by Wolfgang Rennert, performed by the Sächsische Staatsoper Dresden. Soloists include Andreas Scheibner, Claudia Kunz and Ute Selbig; 7pm; Nov 26, 28

DUBLIN

EXHIBITION
Irish Museum of Modern Art Tel: 353-1-6718666
● IMMA Collection: Figuration: this exhibition of painting, sculpture and mixed media looks at a variety of themes – from the body in action to gender issues. It includes works by Picasso, Antony Gormley and Janet Mullarney. Traditional approaches to figuration are set alongside more abstract interpretations of it, representative of the richness of contemporary art practice; to Jan 12

LISBON

CONCERT
Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131
● Borodin Quartet: perform works by Schubert, Stravinsky and Borodin; 7pm; Nov 26

LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● Academy of St Martin in the Fields: with conductor Neville Marriner and pianist Alfred Brendel perform Beethoven's Overture Leonore No.1, Op.138, Piano Concerto No.2 and Piano Concerto No.3; 7.30pm; Nov 27
Royal Festival Hall Tel: 44-171-9604242
● Philharmonia Orchestra: with conductor Christoph von Dohnányi, violinist Viktoria Mullova, tenor Philip Langridge and baritone Cheyne Davidson perform works by Webern/J.S. Bach and Stravinsky; 7.30pm; Nov 26
Wigmore Hall Tel: 44-171-9352141
● András Schiff: performance by the pianist, accompanied by violinists Erich Hobart and Yuuko Shiokawa, viola-player Nobuko Imai and cellist Miklós Perényi. The programme includes Brahms' Violin Sonata in A, Op.100, Piano Trio in C, Op.87 and Piano Quartet in C minor, Op.60; 7.30pm; Nov 26

EXHIBITION
National Gallery Tel: 44-171-7472885
● Making & Meaning: Rubens's Landscapes: the fourth exhibition in this series concentrates on Rubens's landscapes. The exhibition includes "Château de Steen", the picture Rubens made of his own country estate. The exhibition examines how and why Rubens painted landscapes, investigates their construction and looks at the place of these paintings in his work; to Jan 19

LOS ANGELES

OPERA
Dorothy Chandler Pavilion Tel: 1-213-972-8001
● Tosca: by Puccini. Conducted by Andrew Litton, performed by the Los Angeles Opera. Soloists include Carol Vaness, Richard Leech, Justino Diaz and Michael Gallup; 7.30pm; Nov 26

MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● Orquesta Sinfónica de Madrid: with conductor Rafael Frühbeck de Burgos perform works by Brahms; 7.30pm; Nov 26

MUNICH

OPERA
Nationaltheater Tel: 49-89-21851920
● La Damnation de Faust: by Berlioz. Conducted by Marc Albrecht, performed by the Bayerische Staatsoper. Soloists include Anne Salvan, Thomas Moser, Alan Titus and Harry Dworchak; 8pm; Nov 26

NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● New York Philharmonic: with conductor Kurt Masur, horn-players Philip Myers and Allen Spanjer and bass Eugene Levinson perform works by Vivaldi, Tubin and Tchaikovsky; 8pm; Nov 27, 29, 30

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Carmen: by Bizet. Conducted by James Levine, performed by the Metropolitan Opera. Soloists include Hong, Meier, Lima and Leiferkus; 7.30pm; Nov 26

PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Sinfonia Varsovia: with conductor Yehudi Menuhin perform Beethoven's Symphony No.1 in C, Op.21, Symphony No.4 in B flat and Symphony No.5 in C minor, Op.67; 8.30pm; Nov 30

WASHINGTON

OPERA
Opera House Tel: 1-202-416-4600
● Il Guarany: by Gomes. Conducted by John Neschling, performed by the Washington Opera. Soloists include Plácido Domingo, Verónica Villarroel, Carlos Alvarez, Hao Jiang Tian, William Joyner, Boris Martinovic and Daniel Sumegi; 8pm; Nov 26, 29

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A deep debt of gratitude

After six years in Washington, **Michael Prowse** reflects in his final column from America that Europe has much to learn from the US

On vacation in Switzerland this summer, I was struck by the comments of the *widow of a senior* Swiss diplomat. Having lived in numerous countries, she had no hesitation in nominating Americans as the kindest people in the world.

The Swiss at the lunch table looked at her in disbelief. Americans the most kind? I could almost hear their thoughts. The US is the land of assault rifles, race riots and crumbling inner cities. It is where Newt Gingrich, Republican Speaker of the House of Representatives, almost succeeded in abolishing welfare. How could she talk of kindness in a country that by European standards is barely civilised?

The Swiss lady was not perturbed. Americans as individuals, she said, were far more likely to help you than the people of any other nation. They had dug her out of snowdrifts and cooked meals for her, which was more than any of her Swiss neighbours would do, she said.

After six years in Washington, I wholeheartedly endorse her comments. My experience of Americans is equally positive. As individuals they are kind, generous and – even more refreshing – optimistic. They think everything is possible, which marks a pleasant change from the tired cynicism of the British.

Yet for reasons I do not fully understand – ignorance and envy are only part of the explanation – the US has a much worse reputation abroad than it deserves. Commercial television and cinema present a grotesquely distorted image of modern American life. The tendency of foreigners to bash the US is encouraged by the very openness of the society, which ensures that every possible vice – from political corruption to low school-test scores – is paraded before the world. Other countries try to hide their sins; in the interest of progress, Americans take a delight in exposing theirs.

What is lost in the lurid stories about America's failings is the fact that the great bulk of citizens are economically secure, hard-working, law-abiding and God-fearing. Charitable giving and church attendance – reasonable, if not perfect, indicators of moral virtue – are higher than in almost any other advanced nation.

From the beginning, the American story has been one of dazzling success. The Declaration of Independence – philosophically inspired by John Locke, the great English libertarian philosopher – was a milestone in human progress. Little more *than a century after* its founding, the US had overtaken the rest of the world economically. More important, it had guaranteed for its people freedoms undreamt of elsewhere. And it had all but eliminated the horrible class and status distinctions which still disfigure European and Asian society.

Now consider what the US has done for the rest of the world this century. It defeated Nazi Germany (the UK would never have survived without American support) and crushed militarism in Japan. It contained communism in the former Soviet Union and eastern Europe for half a century – *long enough for these cruel* and inefficient regimes to collapse of their own accord. It donated huge sums of aid to western Europe and developing countries and helped these regions develop economically by giving them invaluable trade concessions. It is doubtful whether any other nation wielding the US's power in 1945 would have been half as generous.

Through its commitment to capitalism, the US ensured the survival of a broadly free-market global system during decades when nearly all of Europe's intellectuals were bitterly opposed to the very concept of laissez faire. Today even such bastions of regulation as Germany and Sweden are cautiously implementing their own Reaganite reforms.

You would think these immense gifts would have sparked a sense of gratitude – even reverence – in other nations. But no. Most of the time there is nothing but snide criticism. When the great European nations showed themselves utterly incapable of ending the war in Bosnia, the US stepped in and brokered a peace. It was entirely typical that the US, out of moral outrage for the carnage, should assume a *responsibility that ought to* have rested firmly on European shoulders.

But were Europeans properly grateful? Of course not. After the Dayton accord last year, the ambassadors from Germany, France and the UK appeared on US television. Instead of admitting their nations' diplomatic ineptitude, they tried to claim that European leaders deserved credit for the peace agreement. It was a pathetic spectacle.

It is the same in the economic sphere. Every American achievement is dismissed or distorted. The US has 5 per cent unemployment while continental Europe has 11 per cent. A sign that the US economy functions better? Of course not. Low-paying jobs in the US, the argument runs, are simply a disguised form of unemployment – a sign of *the society's meanness. How* absurd. There is a world of difference between having a job and being dependent for life on the state.

The statistical evidence shows great mobility of incomes in the US: only 5 per cent of those in the bottom fifth of the income distribution in 1975 were still there in 1991. Many of those taking the low-paid jobs are immigrants who rapidly achieve a lifestyle unthinkable in their countries of origin. Such rags-to-riches stories are rare in Europe for two reasons: immigration is far more tightly controlled; but even if it were not, wages are kept artificially high, preventing the low-skilled from gaining a foothold in labour markets.

Much of the criticism of the US is misplaced because it is tacitly assumed that Americans have exactly the *same values as everyone* else. They do not. Take the issue of income distribution. Many people in Europe seem bitterly resentful of disparities in income and wealth. Sometimes it seems that people would be willing to take from the wealthy even if nobody else gained anything as a result. A flat income distribution is seen as intrinsically desirable.

Similar attitudes may be found among the US intellectual elites, which are decidedly left-of-centre. But society is not suffused with envy to the same extent as in Europe. Americans on the whole do not resent the rich. They hope to become like them. They care more *about* opportunity than equality. The high salaries of chief executives – and they are much higher than in most other industrial countries – do not attract anything like the ire seen, for example, in the UK.

In popular attitudes toward government, one can detect even more profound differences. As some readers have noticed, I have become steadily more attracted to a libertarian political philosophy. This is not altogether surprising given my place of residence: libertarianism has always had deeper roots in the US than elsewhere. The nation was founded in a revolt against government and taxation – that imposed by King George III.

The framers of its constitution were, above all, concerned to constrain the power of government. The *fear that government* – even a democratic government with a popular majority – may constitute a threat to the liberty of some or all of the people is deeply felt in the US. Most other peoples, by contrast, seem entirely oblivious to this danger; in too many countries a majority of the electorate is regarded as having a perfect right to enact any laws it pleases.

I am often appalled by the way *libertarian policies are* misrepresented. Newt Gingrich, for example, is far from being a libertarian. He proposed a tiny reduction in the power and scope of the federal government – nothing that in any sense approached the classical liberal ideal of a "night-watchman" state limited to the provision of national defence and law and order.

Yet he was chastised for favouring a selfish, atomistic society. Selfish? Atomistic? Was everyone living before 1929 (when the US federal government accounted for only about 3 per cent of gross domestic product) a selfish atomist? This is not the usual *description of George Wash*ington, Thomas Jefferson or Abraham Lincoln. Yet all three would rightly have been horrified by the growth of all levels of American government in recent decades, to the point where it absorbs about a third of national income.

Libertarians, contrary to the popular caricature, are not selfish atomists. They are better characterised as passionate believers in *social co-operation and* community. They understand that individuals have to interact with each other in order to survive and prosper. This is precisely why they are such strong backers of the free market, a linchpin of civil society.

The market, after all, is nothing other *than a* network of voluntary transactions between individuals. Trade occurs only if both parties expect to benefit from a transaction. It is thus by definition welfare enhancing. *The same cannot* be said of government which – through *taxation* – forcibly commandeers the resources of some individuals in order to give to others.

I like libertarianism because it is non-coercive and non-paternalistic. It is the only political philosophy that treats all adults equally. Why? Because it is the only philosophy that says that particular groups of adults – say politicians elected by democratic majorities – have no right to impose obligations, such as tax burdens or military service, on other adults.

The libertarian motto is that everything must be *achieved through consent.* Not just consent at the ballot box every four years, but continuing consent. I make a contribution to your welfare if and only if I agree to do so. And vice versa. What more adult way can there be of running society?

Such principles are not, of course, wholly respected in the US. But I have come to respect America because it is more libertarian in its fundamental values than other societies. And the nation's greatness lies principally in this commitment to the freedom of individuals. Nothing else accounts for its extraordinary dynamism, for its breathtaking innovation in every field from *science and culture to* business and sport.

As this is the final column I will write from Washington, I am happy to record here a debt of gratitude to America and Americans. Had I not moved here in 1990, I suspect I would have remained trapped in the outdated statist mentality that still holds sway in Europe. I would have been alarmed rather than cheered by the decline of the bureaucratic *welfare state.*

As it is, I feel fully prepared for what I believe will be a libertarian 21st century. It is Europe that is going to have to change, not the US.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Italy's Euro-tax not vital for Emu

From Mr A. Eichholzer, Mr M. Gioannini and Mr F. Brugnoli.

Sir, We believe that your comments of November 20 ("No to the fudge romana") about the Italian "Euro-tax" are missing the point.

We completely agree with you and with Mr Alexandre Lamfalussy, president of the European Monetary Institute, in defining convergence as "the ability to maintain or keep an effort going continuously", and you are definitely right in saying that the Euro-tax doesn't "improve the underlying state of public finances".

But what you are confusing are the real aims of the Euro-tax. The Euro-tax is not about the stabilisation of the *government debt, simply* because the Italian public finances are already converging. Italy has the largest primary public surplus in Europe (5 per cent of gross domestic product) and, even without the Euro-tax, the government deficit will have almost reached the Maastricht criteria of 3 per cent of GDP in 1998. And, most important of all, Italian inflation has already dropped to the "European" level of 2.5 per cent.

In these conditions, the Italian public debt is perfectly sustainable. Consequently, the "Euro-tax" is only a negotiating tool designed to increase the chances of Italy participating in Emu.

The German government, *the Bundesbank and the EMI* are saying that the Maastricht criteria for deficit is 3 per cent in 1997 and not "3 point something per cent". The Italian government and the Italian tax payers (L5,500bn from income tax is not a "scherzo" during an economic slowdown) are giving them 3 per cent in 1997 (plus a stable debt).

Please don't confuse objective public debt stabilisation with the political manoeuvring needed to make Emu acceptable to public opinion in Germany (3 per cent is 3 point zero per cent!).

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Italy

Childhood example engendered dignity

From Dr Alan Roth.

Sir, Like the boys flown from Prague to Crosby-on-Eden in 1945 ("Life before and after the Holocaust" November 9/10), my parents also barely survived as youths after their parents and siblings were killed by the Nazis. And like Mr James Blitz I have also pondered the origin of their "dignified bearing, lack of anger, and normality" in spite of carrying the scars of hideous, unprovoked violence from the formative years of their lives.

The early memories I have elicited from them, and which could apply to the boys as well, perhaps contain a clue in that their prewar childhood consisted of a loving, joyful family life guided by charitable, observant parents amid role models of scholarly rabbinical figures.

Their own close relatives and millions of others were annihilated but the fine elements of their spirit, inculcated before the tragedy, have resiliently remained. That their high personal values eventually prevailed over horrific physical destruction is what makes such Holocaust survivors "towering moral figures of our century", and perhaps of all time.

Alan Roth,
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Policy for the UK's poor performers

From Professor George Bain.

Sir, Your report on the shortsightedness of many British companies ("Manufacturers are warned on weaknesses," November 18), confirms the findings of the Commission on Public Policy and British Business. While we have been impressed that the best British companies are able to compete on the world stage, it is clear that the UK suffers from poor average performance because of a long-tail of underperforming companies.

We *found strong links* between poor corporate performance, a failure to invest sufficiently in people and capital, and a reluctance to take the time to cement long-term relationships with key investors, suppliers and employees. We believe that business itself must shoulder the main responsibility for dealing with these weaknesses, though government should also play its part.

One contributory explanation we unearthed for the UK's relative underperformance, not highlighted in the Ingersoll Engineers report, was the dearth of inter-company networking in the UK compared with its main competitors. This *means that small companies* do not combine to develop capabilities, and management best practice is disseminated only very slowly among UK companies. Indeed, many underperforming companies do not even know how bad they are.

In our report on the future of UK business policy, due out in the New Year, we make certain policy recommendations to encourage far-sighted management, including a wholesale shift of policy to stimulate greater inter-company networking.

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Pragmatists uncertain of what should be controlled

From Mr William R. Hutton.

Sir, Edward Mortimer's article "Shades of meaning" (November 20) identified many of the definitions the political terms left, right, conservative and liberal have taken on over the years.

One important variant he missed which may aid those "eager young conservatives *from eastern Europe*" he was trying to help was identified by Ayn Rand. She found that conservatives (at least of the American variety) tended to support economic freedom: in business, in wealth, in property rights, in the material realm. At the same time, these generally religious people tend to support governmental controls of the intellectual realm (censorship, mandatory prayer, morality laws, etc).

Liberals take the other side of this false soul/body dichotomy. They tend to allow intellectual freedoms, while controlling every aspect of the material realm. Rand identified the conservatives and liberals as "mystics of the spirit" and the "mystics of muscle" respectively – each controlling that half of the false dichotomy that they found philosophically important.

From this unique perspective I have gone on to infer that pendulum-swinging middle-of-the-road pragmatists, so common today, can then *be seen to be the ones* who don't know what to control next.

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FINANCIAL TIMES
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Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday November 25 1996

Much ado about the lira

The lira's re-entry into the European exchange rate mechanism ought to have been a relatively straightforward affair. The European monetary committee would meet on Saturday, there would be brief debate – a lira here, a lira there – then home in time for dinner. Instead, there was a weekend of ungainly squabbling over the details, and the symbolism, of Italy's re-entry.

At the time of writing the outcome of yesterday's emergency meeting of European finance ministers was not known. But the fact that the meeting had to be held at all was evidence that several countries, including Italy, had grossly exaggerated the importance of the decision.

There are three criteria by which to judge the weekend's events. The first is whether re-entering the ERM, in and of itself, is likely to make a large difference to Italy's attempts to stabilise the economy and lock in steady, non-inflationary growth.

The answer to that question is No. An ERM in which currencies can only fluctuate 2¼ per cent either way can be a powerful weapon against inflation. The present ERM, with its 15 per cent fluctuation bands, cannot have anything like the same impact.

The second issue relates to the rate itself. In principle it should not have been difficult for Italy to agree a rate with its partners. There was a significant difference of opinion between France and Italy, but not an unbridgeable one. The apparent reluctance of the French – and, by all accounts, German – representatives to give ground may stem from an infantile desire to "punish" Italy for the forced devaluation of the lira in 1992 and subsequent 90 per cent growth in the volume of Italian exports. Yet it would be vindictive folly to try to impose an uncomfortably valued currency on a country in which the state of the public finances already dictates many more years' highly restrictive fiscal policy.

Last, and most important, are the implications for Italy's Emu hopes. Nearly every country involved in this weekend's skirmishes has, in one way or another, encouraged the idea that returning Italy to the ERM fold took it an important step towards joining Emu. But this is profoundly misguided.

By any reasonable interpretation of the wording of the Treaty, Italy is already too late to conform to the letter of the exchange rate convergence criterion. But however the treaty is interpreted, it is clear that the real worries about Italy's currency have little to do with exchange rates and everything to do with its long-term fiscal policy. Europe's finance ministers have done the Emu project a disservice this weekend by suggesting otherwise.

Tory tangle

Kenneth Clarke is working overtime. The chancellor of the exchequer tried to calm the nerves of the Conservative party on Friday with a soothing (and highly unusual) letter to all MPs, reassuring them that no binding decisions would be taken about monetary union before a proper debate in the House of Commons.

That did not do the trick: the party has remained in a lather over the weekend, with wild talk of confidence votes and early elections, and some leaked documents to frighten the children. Hence Mr Clarke's decision to make a statement this afternoon.

His concern is understandable. The government's overriding priority in the coming weeks must be to focus public attention on tomorrow's Budget and on the reaction to it of the opposition parties. This ought by rights to be the single most important political event before the next general election, and Mr Clarke has a decent hand to play. The present distraction is a kind of madness.

But the probability is that it will not go on much longer. The government's easiest task is to rubbish the weekend's supply of leaked documents. One is a paper from the European Monetary Institute, which has no kind of authority; the other is an out-of-date Treasury briefing paper proposing changes in the stability pact which already appear to have been accepted.

Mr Clarke himself can hardly have much to add to Friday's lengthy letter in his statement this afternoon. But he will be able to put his case across in a much more bouncy way, and to engage in a little banter when it comes to questions. That may be enough to win over all but the most hardened Eurosceptics for the time being.

To be sure of the outcome, the government's business managers would still be wise to offer up in addition some form of compromise on the question of a debate. This Friday would be a possibility, ahead of the EU finance ministers' meeting a week today. But the following week would probably do the job at least as well. Even the Tory party in its most manic mood is presumably prepared to accept the chancellor's word that he is not going to allow any funny business to take place at next Monday's meeting.

But getting the short-term tactics right is one thing. Resolving the government's strategic problem will be quite another. What has been at issue over the past few days has not been the importance or otherwise of a set of largely technical documents. Instead, the agenda has been set by a significant minority of Tory MPs who are now showing their hostility to the whole Maastricht process.

After Mobutu

Western powers which 10 days ago were all set to send troops to eastern Zaire have good reason to be thankful for the dynamism of the Zairean rebel forces and their Rwandan backers. The latter's blitzkrieg against Hutu militiamen and the former Rwandan armed forces at Mugunga triggered a massive return to Rwanda of some 500,000 of the Hutu refugees the putative international force had been going to help.

Contrary to the Rwandan government's claims that all the refugees have returned, this is probably less than half the total. But the dramatic turnround shows how swift and unpredictable events can be, and how much better placed local forces are to influence them than people taking decisions in capitals thousands of miles away.

Those who think they can sort things out by sending in troops, or that those troops could easily confine themselves to a "humanitarian" mission without getting involved in the war, have been given persuasive reasons to think again.

That is what they have been trying to do at a meeting of potential contributors to the force in Stuttgart for the last few days, with predictably inconclusive results. There is clearly no consensus among would-be troop contributors about the mandate or rules of engagement of the proposed force. Recent history suggests that, in those circumstances, it would be much better not to send one.

The human needs of the refugees are, of course, all too real. Emergency supplies of food and medicine are needed to prevent many of them from dying from malnutrition or epidemics. But to give them an incentive to go back, those supplies should be sent as near as possible to their original homes in Rwanda (and in some cases Burundi) rather than sending them to Zaire which would encourage the refugees to stay put.

Politically, the Rwandan government needs help in sifting unrepentant killers from among the returning refugees to ensure their return does not lead to new massacres by either ethnic group. Both Rwanda and Burundi should accept monitoring by an international civilian force – drawn from the countries meeting at Stuttgart – to ensure the rights of the returnees are respected.

Perhaps even more urgent is the need for a ceasefire and a government of national unity in Zaire. President Mobutu's long reign is clearly reaching its end. Unless a peaceful transition to a broader-based regime begins now, Africa's second largest country is likely to disintegrate though a prolonged and ghastly civil war.

Paradise postponed, again

John Gapper explains the problems that threaten to delay the introduction of London's new share settlement system

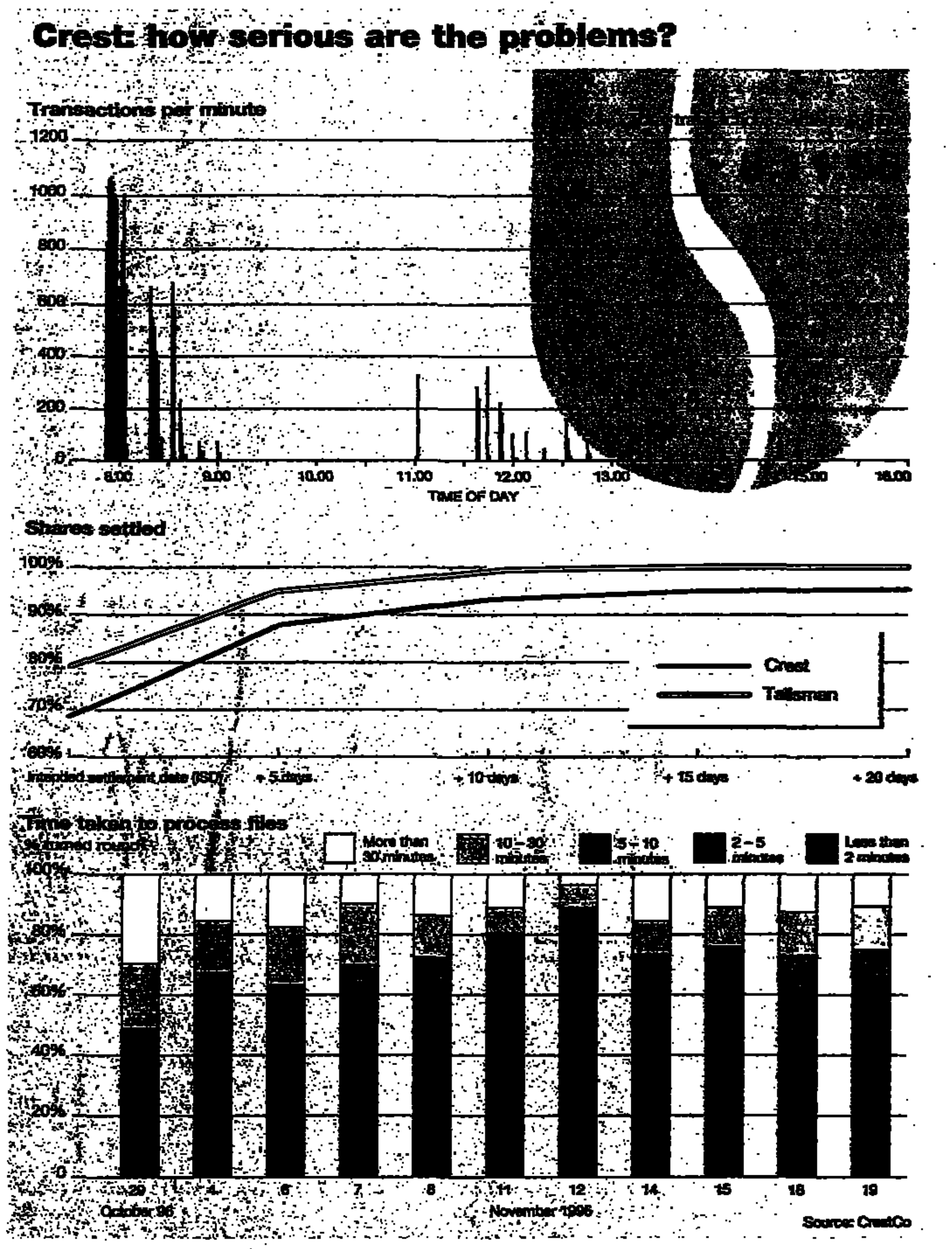
Mr Glen Cooper is peering perplexedly at a computer screen that is telling him something is wrong. As office manager of Walker, Crips, Weddle and Beck, a small private client broker, Mr Cooper's job is to settle trades agreed in a dealing room nearby. That means he must struggle with vagaries of Crest, the UK's new electronic share settlement system.

He has not been alone. Thousands of managers in brokers and other financial firms have spent late nights and early mornings in an effort to get Crest to work. The system that now settles transactions for more than a third of the UK equity market has been working far less reliably and quickly in the past month than envisaged at its confident launch in July.

Senior managers of CrestCo, the company that runs it, have not improved tempers by blaming some of the problems on how it has been used by the 243 institutions that plug into it. Now regulators are collecting data on which firms have built up the worst backlogs. "It feels as if we are being punched in the stomach from all angles," says Mr Cooper.

As Mr Cooper taps his keyboard, the screen tells him what is wrong. None of the files Walker, Crips sent to Crest early that morning have yet been handled. An electronic connection has failed elsewhere, which means 14 securities cannot be settled until the next day. The central Crest computer has been diverted from other tasks in an attempt to fix the problem.

Such frustrations have been commonplace since October, when Crest started displaying signs of strain. A backlog of 30,000 unsettled transactions has accumulated, and the delays started to have such an impact on its ability to process transactions this month that its board agreed to delay the transition of the shares of 17 big companies on to the system.



By April, all 3,000 quoted UK shares and related securities were due to have moved to Crest from Talisman, the paper-based system run by the London Stock Exchange. This afternoon the CrestCo board is to meet again to consider further action. The phasing-out of Talisman could now be delayed for up to three months to ease the strain further.

One alternative to delaying the transition to Crest could be to take action against some of the users who cannot cope with its intricacies. Mr Iain Saville, CrestCo's chief executive, has suggested that the Securities and Futures Authority, the City regulator, could restrict the amount of trading in shares on Crest done by some smaller regional brokers.

Even if CrestCo's board takes the drastic step of delaying the timetable, outsiders might question how much this matters. The problems have not involved any underlying failure in the system's design. No shares have gone astray, and when records have failed to reconcile, the glitch has always been traced back to a user rather than Crest records.

"Crest is not about to blow up. This is a highly complex process, and it needs some fine-tuning and sorting out," says Mr Scott Dobbie, CrestCo's chairman. Mr Saville says CrestCo is improving its software, and hopes to stick to the revised timetable. "It has been right for us to stabilise, and give people a chance to catch up," says Mr Saville.

Nonetheless, a timetable delay would be costly. If shares are transferred from Talisman to Crest later than scheduled, those companies affected by the delay will once again have to write to shareholders. The Stock Exchange would have to keep Talisman staff longer than expected, and many of CrestCo's members firms would face additional administrative expense.

It could also damage reputations. Crest was implemented by a team from the Bank of England led by Mr Saville. It followed a highly expensive debacle over Taurus, the unwieldy precursor to Crest which proved unworkable only after the Stock Exchange and its member firms had invested £400m in it. Big problems with Crest could further embarrass the Bank and the City.

Delay also carries risks. Crest was due to bed down well before the planned £10bn flotation of Halifax Building Society in June, as well as other building society flotations that will follow. If the timetable is put back too far, the massive demand for retail investors' shares to be transferred into an electronic form could overwhelm Crest.

The first serious problem with Crest emerged in mid-October as large numbers of shares started transferring to it. Company registrars, which keep a record of who owns the shares of any company, found their records were not reconciling with Crest records. This was mainly because they had been given faulty information by investors' stockbrokers.

Often the problem was not fixed overnight, and settlement of all shares had to be suspended for up to two hours during the following morning, as the chart shows. This was the first glitch to show the basic inflexibility of the software. If one problem was being fixed, it would often prevent other Crest functions operating at crucial times.

The registrar problems soon squeezed the system's capacity to handle other operations to a point where basic processing of files slowed down dramatically. Brokers which had been led to expect rapid settlement found that many messages requesting shares to be registered as bought or sold would take over an hour to be processed and confirmed.

Alongside these problems, Crest users allowed a backlog of 30,000 unsettled transactions to build up. The proportion of shares settling on the intended day has now risen to 70 per cent – but this compares with 80 per cent in Talisman. Crest still lacks a mechanism similar to one in Talisman that allows the Exchange to settle outstanding bargains itself.

As a result, the system was under severe strain by earlier this month. CrestCo responded by changing some software and exhorting its members to help it ease the bottlenecks. Its managers have urged broking firms to install more links into the system so unprocessed files will not build up in queues. CrestCo has also cut the use of some complex processes.

The result has been an improvement in Crest's performance over the past two weeks, despite setbacks. CrestCo officials argue that it is rapidly becoming stable enough to stick to the timetable. Yet their views may not hold sway. The board of CrestCo must also consider those of a wider constituency, ranging from small brokers to company registrars.

One difficulty is that relations among the various parties have deteriorated this month. Mr Saville has antagonised some participants by emphasising the difficulties of small brokers. "All sorts of firms have had problems, big and small, and it is not helpful to blame us. Crest's managers should button their lips," says one partner of a small firm.

The settlement directors of big investment banks have taken a retaliatory step by calling for CrestCo to agree targets for its own performance. That would mean that if the computer that sits at the heart of Crest worked too slowly, CrestCo could be fined. Mr Saville says he would agree to such standards, but only when the system has bedded down properly.

This spat is symptomatic of a wider difficulty with Crest: the lack of standards and discipline. The Stock Exchange can exert tighter control of Talisman, because there is an agreed disciplinary code. However, CrestCo is only now approaching the point of having a code. It is not likely to be possible for errant users to be fined until next spring.

Crest's users are not the only ones who have their doubts about how CrestCo is handling its problems. City regulators say privately it has been hard to obtain the amount of information they want about how Crest has worked. They have been collecting their own data for the past two weeks by asking firms to *submit daily returns by fax*.

Furthermore, some of the apparent improvement in Crest over the past weeks can be attributed as much to its users lowering their expectations as to Crest working better. CrestCo's managers have asked firms to stop making inquiries in the middle of the morning. The effect is to improve performance figures, but at the expense of firms obtaining the data they want.

Similarly, many private-client brokers have encouraged customers who hold shares in paper form to accept settlement 10 days after they trade, rather than the five days now used in the wholesale market. That reduces the risk of unsettled transactions – but only by slowing the process.

This has important implications for the future. For now, it may be enough for it to match the performance of Talisman. But in the long term, the target is much higher. Crest is meant to allow more rapid settlement, so that five-day settlement can move to three-day, and eventually to instantaneous settlement.

CrestCo's board will thus have a difficult decision to make today. It has to balance the views of its managers with its users, and it must also satisfy City regulators that it is not scaling down Crest's objectives so that it can clear a lower hurdle. It may have to make its decision with less than ideal data on exactly how Crest is working.

For this reason, many participants would prefer a safe and steady approach. Small brokers largely support a delay to the transition, arguing that it would be worse to soldier on now and then be forced to delay later. "The position is clearly serious, and we have got to find a solution that gains the market's confidence," says one Crest board member.

OBSERVER

Dole loses soul mate

■ Bob Dole consoles himself in defeat by appearing in newspaper advertisements for [illegible] under the headline "[illegible] not doing anything". But Sheila Burke, who played a big role in managing his political life in Congress for the best part of 20 years, has found herself a proper job; she is to become executive dean at the John F. Kennedy School of Government at Harvard.

Around a year ago, when the fight for the Republican presidential nomination started getting nasty, Burke suddenly emerged unhappily into an unfamiliar spotlight as the object of a particularly vicious rightwing whispering campaign.

It was suggested that she, more than anyone else among his ranks of close confidantes, had influenced Dole not to sign up lock, stock and barrel to every article in the "Contract with America" conservative manifesto; as the attacks were stepped up, he stoutly refused all suggestions that she be fired.

When he resigned from the Senate in June, in a desperate attempt to raise his flagging presidential campaign and convince voters he was heading for the White House, she was still at his side, openly weeping at the end of their working relationship.

But though she survived, some of the right's worst suspicions over Dole's loyal, long-time servant may now be confirmed. It emerges that, at Harvard, she'll be reporting to none other than Joe Nye, dean of the Kennedy School and a veteran of the Democratic Carter and Clinton administrations. But if she works for him as selflessly and effectively as she did for Dole, academia will have little cause for complaint.

Crash landing

■ Louisiana oil tycoon Patrick Taylor got a call in his New Orleans office last week telling him to catch the next aircraft to London.

The journey, in pursuit of a dream he's harboured for years, ended at the weekend with him successfully bidding $125,000 for a second world war Supermarine Spitfire; the machine was downed in a dogfight over England 52 years ago and was left buried for 30 years, though it has subsequently been partially restored.

Taylor, 59, emerged as the aircraft's new owner after an auction held by Sotheby's and says he's fascinated by the last war in Europe. He plans to open a D-Day museum in New Orleans in about three years' time and the aircraft – with a complete fuselage, cockpit and replacement Merlin engine – will form the centrepiece of the project.

The aircraft flew 167 sorties before crashing on deep mudflats in north-east England, killing its Belgian pilot. Though rescued by enthusiasts, they couldn't afford to complete the restoration.

Funds are no problem for Taylor, chairman and president of Taylor Energy, who has enlisted the help of the Imperial War Museum to finish the job.

There will be special invitations to the official opening for two people in particular: Stephen Arnold and Julian Mitchell spent four years using only their hands to dig from the mud a rather special bit of British history. Arnold, a motor parts storeman, says he's happy it's going to a good – if faraway – home.

Nabucco nicked

■ *"Va' pensiero, sull'ali dorate, va' ti posa sui clivi e sui colli."*

If Verona magistrates need to brush up on the great refrain in Verdi's Nabucco they now have ample opportunity. Among the rag-bag of possessions, 20 photocopies of *Va' Pensiero* have been seized during a raid on about 20 homes of members of Umberto Bossi's secessionist Northern League.

Seventeen green-shirt stalwarts of Bossi's so-called Padania national guard are facing court proceedings over belonging to a military association.

The League has adopted Verdi's work as its anthem but Bossi and his aides have been quick to ridicule the notion that the song could be seen as seditious. At least the authorities will be far less worried about another document taken into custody – the official gazette of the European Union.

Cut the chat

■ For many years the General Agreement on Tariffs and Trade (Gatt), succeeded last year by the World Trade Organisation, was long derided as the General Agreement to Talk and Talk. Now, the Asia Pacific Economic Co-operation (Apec) talks in Manila are emerging as a garrulous challenger to the memory of the Geneva-based trade body.

Officials from around the Pacific Rim may not have had much more success than Gatt in agreeing to cut trade barriers but, like their forbears, they can't resist a good chinwag. So after much debate, observers have agreed: Apec is to be known as A Perfect Excuse to Chat.

The Financial Times

100 years ago

S. America's Blackest Sheep
Colombia is one of those South American States which could afford to deal honourably with its foreign creditors, but has for a lengthened period declined to do so. She is one of the blackest sheep in the South American flock. For nearly 17 years her foreign debt has been in absolute default. But Colombia has not escaped the consequences of her dishonourable conduct. Her development has been severely handicapped by want of transport facilities; and until she comes to some just *arrangement with her* creditors, it is idle to expect that European capital will assist in its extension.

50 years ago

No Devaluation For Franc
In an interview with the New York Times, M. Robert Schuman, the Minister of Finance, stressed that there could be no question of a new devaluation of the franc. "To devaluate would be folly," he said. In the current year French imports have exceeded exports by Frs.100 milliards, and devaluation would imply an increase of this deficit, whereas the Monnet Five-Year Plan provides for French foreign trade definitely balancing by 1950.

FINANCIAL TIMES
Monday November 25 1996

Granada may keep flagship hotel if bids are below £350m

Group fights to reach target price for London's Grosvenor House

By Scheherazade Daneshkhu in London

Granada Group might decide to keep the Grosvenor House Hotel, the flagship London property it acquired in its £3.9bn ($6.6bn) hostile takeover of Forte in January, if it falls too far short of the challenging sales price of £350m it is seeking.

Some of the wealthiest men in the world such as Prince Alwaleed bin Talal bin Abdulaziz, a nephew of King Fahd of Saudi Arabia, and Prince Jefri, brother of the Sultan of Brunei have expressed interest in other properties in the Exclusive Hotels portfolio acquired in the Forte deal.

But analysts believe Granada will be hard pressed to reach its target for the Grosvenor House despite the high occupancy rates luxury hotels in London are enjoying. The Grosvenor House, prized by Lord Forte as the prime asset in the business he built, has been valued by Christie & Co at £375m.

Analysts say Granada, the television, hotels and catering group headed by Mr Gerry Robinson, must achieve total proceeds of £801m from the portfolio of 16 top-flight international hotels if it is to avoid a loss on the disposals.

Sale of the Grosvenor House on Park Lane, whose Great Room can accommodate 1,500 people, is key to the success of the sell-off. The hotel made operating profits of £20.7m on turnover of £48.9m in the year to January 31.

But the sale is complicated by the existence of 185 apartments in the building, in addition to the 595 guest bedrooms, and the need for capital expenditure on the property estimated by analysts at £50m. Granada may choose to keep the Grosvenor House if best offers are less than its £302m book value.

The principal bidders in the final stages of the portfolio auction include Marriott International of the US. It is bidding for many of the hotels for its luxury Ritz-Carlton brand.

Prince Alwaleed, who came to the financial support of EuroDisney two years ago and who has a 25 per cent stake in the Four Seasons hotel group, is also bidding for several of the hotels, having had an earlier offer of between £700m-£750m for the whole portfolio rejected.

Orient-Express Hotels, the luxury group owned by Sea Containers, the Bermuda-based shipping and leisure group, is bidding for the Hotel Ritz in Madrid and the Plaza Athenee in Paris, while Prince Jefri and the investment arm of the Brunei government are believed to be bidding for several hotels including the prestigious George V in Paris.

Chelsfield, the property company chaired by Mr Elliott Bernerd, is poised to purchase the Westbury Hotel in London's West End.

The deal is expected hard on the heels of Granada's sale last week of the Hyde Park Hotel in London to Mandarin Oriental of Hong Kong for £86m.

Although the sale of the Hyde Park Hotel last week was 23 per cent above book value, it was still below the revaluation price.

The hotel is believed to have been the most hotly contested of the portfolio.

Asprey losses widen, Page 21

Italy fights for deal in Brussels

Continued from Page 1

trading. If its central rate in the ERM is set much stronger than L999.2, traders holding lira will make large sums of money while those who sold lira for D-marks will have lost.

France accused Italy of benefiting from a weak lira and therefore wants to make sure that the lira is brought back into the system at a level which favours French exports. One French official said economic fundamentals suggested the lira's correct rate should be about L950 to the D-mark.

Mr Giorgio Radaelli, economist at Lehman Brothers, said: "If there are innuendos that some of European partners did not want the lira back in the system, then the currency might not rise very much from Friday's level."

Commodities maniupulation

Continued from Page 1

markets has changed significantly. There has been a resurgence of interest in commodity futures and the large hedge funds are using the markets in a way they weren't before," said Mr Mackeonis.

This means regulators must share information about large positions and powerful participants so they can intervene as soon as they think the rules are being twisted.

"We need to avoid a knee-jerk reaction to these sort of worries, but that doesn't mean we are complacent," said Mr Barrass.

India set for partial sale of telecoms and oil companies

By Tony Tassell in Bombay

India is likely to go ahead with a much delayed sale of shares in two state-run companies early next year in an effort to restart its programme of partial privatisations.

The government aims to sell about 7 per cent of Videsh Sanchar Nigam, the international telecoms provider, and 5 per cent of the Indian Oil Company, to raise about Rs15bn ($426m). However, the size and pricing of the deals have yet to be finalised.

There will be little time for further issues before the fiscal year-end in March, leaving a significant shortfall in the budgetary target for funds raised through sales of shares in state-owned companies.

This is expected to threaten the government's ability to meet its target of cutting the country's fiscal deficit to 5 per cent of gross domestic product from 5.9 per cent last year.

Bankers said the government's poor handling of partial privatisation issues had left the generation of funds below target for the past four years.

In addition, the sales this year had been affected by poor market conditions, national elections in May, delays in gaining approval from the coalition members of the United Front government, a drawn-out selection of investment bankers, and the DM20bn ($13bn) Deutsche Telekom international equity issue this month.

The Videsh issue will be lead-managed by Jardine Fleming, Salomon Brothers and Kleinwort Benson. Lead managers for the IOC issue are Goldman Sachs and CS First Boston.

UK Budget tax cuts

Continued from Page 1

According to Cambridge University's microsimulation unit, the tax cuts will benefit high-income households much more than low-income ones. Only 3 per cent of the gains from a cut in the basic rate go to the poorest 30 per cent of households.

The chancellor will make little progress towards the prime minister's objective of abolishing inheritance and capital gains tax. The threshold for inheritance tax will rise from £200,000 to £250,000, while the changes to capital gains tax will be technical, aimed at simplifying the system.

The chancellor is also expected to raise money by scaling back the £1.5bn tax relief for profit-related pay schemes, many of which are now thought not to deliver the higher productivity and greater pay flexibility which was claimed for them in the mid-1980s.

The Departments of Education and Health will get more money for schools and hospitals. But the Department of Social Security – which warned the Treasury privately last month that it would have to spend £1.5bn more this year than it had previously predicted – will emerge as a major casualty from the spending round.

It has been given a relatively generous settlement for running costs, but benefit spending has been squeezed sharply. The Treasury is assuming that a fraud crackdown will generate big savings.

The Treasury has, however, failed to win backing for a proposal to make single parents with children aged 11 or over sign on for the jobseekers' allowance.

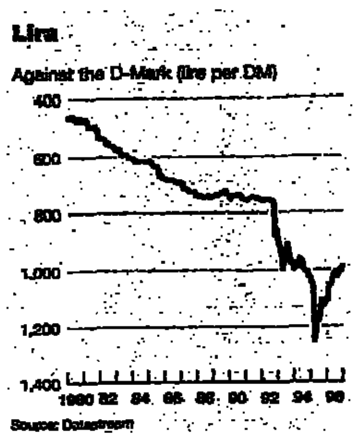
Mr John Major, the prime minister, has also blocked at the last minute a plan to make savings from council tax benefit, even though this had been agreed by the public spending cabinet.

Mr Clarke will also rely on the sale of government assets – such as the loan book of the Student Loan Company – to massage down his spending plans. This is controversial among public finance experts, who regard asset sales as disguised borrowing rather than true savings.

The sale of government-owned assets is counted as negative expenditure for the purpose of calculating spending plans, unlike the proceeds of privatisation, which are excluded from the totals.

THE LEX COLUMN

Italian imbroglio



The weekend's haggling over the terms for readmitting Italy to the European Union's exchange rate mechanism was a belated attempt to ensure that the future single currency is a hard one. The specific exchange rate of the lira versus other currencies is not trivial: Italy was worried that a high rate would throttle its export boom, while some of its partners were keen to ensure precisely that. But the controversy was especially acute because membership of the ERM is one of the conditions for qualifying for the single currency. And some would prefer Italy not to be a founder member, fearing that the lira's traditional weakness as a currency could dilute the euro's strength.

It might seem odd to battle over Italy's readmission to the ERM, when the country is likely to flout so many other conditions for joining the single currency. A better target would have been Italy's budget deficit, which is being disgracefully massaged downward to meet the Maastricht Treaty criteria. The snag is that other countries, notably France, are doing the same. So it might be hard to single out Italy on this score.

But the fact that almost no country – perhaps not even Germany – will qualify for the euro without a fudge makes it doubtful whether the weekend's haggling really marks a stiffening of resolve. The bigger test will be whether Germany can force through a tough "stability" pact, to ensure that countries signing up for the euro maintain fiscal discipline thereafter, at next month's summit.

Liquidity

"Liquidity" is fast coming to rival "more buyers than sellers" as one of the great banalities of financial markets. Barely a day passes without it being invoked to explain market moves. Indeed, some observers believe liquidity is the main determinant of the bull market in equities.

Intuitively, the notion that financial assets are buoyed whenever there is easy money sloshing around seems appealing. And given the low interest rates in most large economies, it is not surprising that liquidity is so topical. The snag is that when one tries to define the concept or measure it precisely, it turns out to be extremely slippery.

Part of the problem is that the term "liquidity" has several different uses. Confusingly enough, it can mean having a high portion of assets in cash or near-cash. Usually this is evidence of a bearish view of the market – the reverse of the idea of liquidity as a flow of funds driving bull markets.

But, even if one sticks with liquidity in this latter sense, the transmission mechanisms are far from clear. In particular, what is the relationship between liquidity and low interest rates? Some observers talk as if low interest rates are always associated with high liquidity. But this is not so. Low interest rates can be just as much a feature of depressed demand for money as of an expanding money supply.

What then of *falling*, rather than simply low interest rates? This is, indeed, more likely to be accompanied by a ballooning money supply. But again, the connection is far from automatic. As Keynes famously asserted, trying to stimulate demand by cutting interest rates can be like pushing on a string.

Moreover, even if the money supply is boosted by lower interest rates, that does not necessarily lead to bull markets. More money sloshing around in the system is likely to drive *some* prices higher; but it does not have to drive asset prices in general higher, let alone the prices of specific classes of asset. It might simply lead to consumer price inflation. A growing money supply will feed through to financial markets only if investors' animal spirits are alive and kicking.

None of this means that liquidity is a useless concept. But it does suggest that investors should be wary of loose talk about the matter and, instead, try to pin down flows of funds into specific types of asset. Sometimes, as with inflows into US equity mutual funds, this is easy. The statistics are good and the link with strong US equity markets is reasonably clear. But often the job is harder – as is the case with the oft-rumoured, but far-from-transparent buying of US treasuries by the Bank of Japan.

It is also worth remembering that the prices in liquidity-driven markets can easily get out of line with fundamental valuations. So long as investors feel they have to pile into a market or miss out on seemingly sure-fire capital gains, that may not matter. But when investor psychology turns, we will hear far less about liquidity – even if global interest rates are then still low.

Treasury shares

Should companies buying back shares be allowed to keep them? Companies such as Barclays and Reuters, which want the British government to pass legislation abolishing the requirement that bought-back shares are cancelled, certainly think so. They are attracted by the fact that such shares could easily be re-sold if they wanted to raise small chunks of equity. The idea has also been latched on to by those campaigning against the UK's "pre-emption" right system, which obliges companies to offer new shares to existing shareholders. Since treasury shares would not be new shares, companies would be free to sell them to whomever they wished.

In itself, giving companies a little extra flexibility in how they raise equity is hardly objectionable. But there is one important caveat: the fact that a company owns a pile of its own shares should not reduce its accountability to external shareholders. So any legislation would need to ensure that treasury shares did not have votes – as is, indeed, the case in the US, where such shares are common.

The bigger worry is that treasury shares are being viewed as a mechanism for chipping away at pre-emption rights. There is a strong case for reforming the system, as offering shares to a wider range of investors would often cut companies' cost of capital. But allowing treasury shares would be a half-cock solution, because it would fail to help companies which had not previously bought back shares. Moreover, following the chancellor's recent tax changes, buy-backs are likely to be rarer. Those wanting to change the pre-emption system should address it head-on rather than attempt to squeeze through the back door.

FT WEATHER GUIDE

Europe today

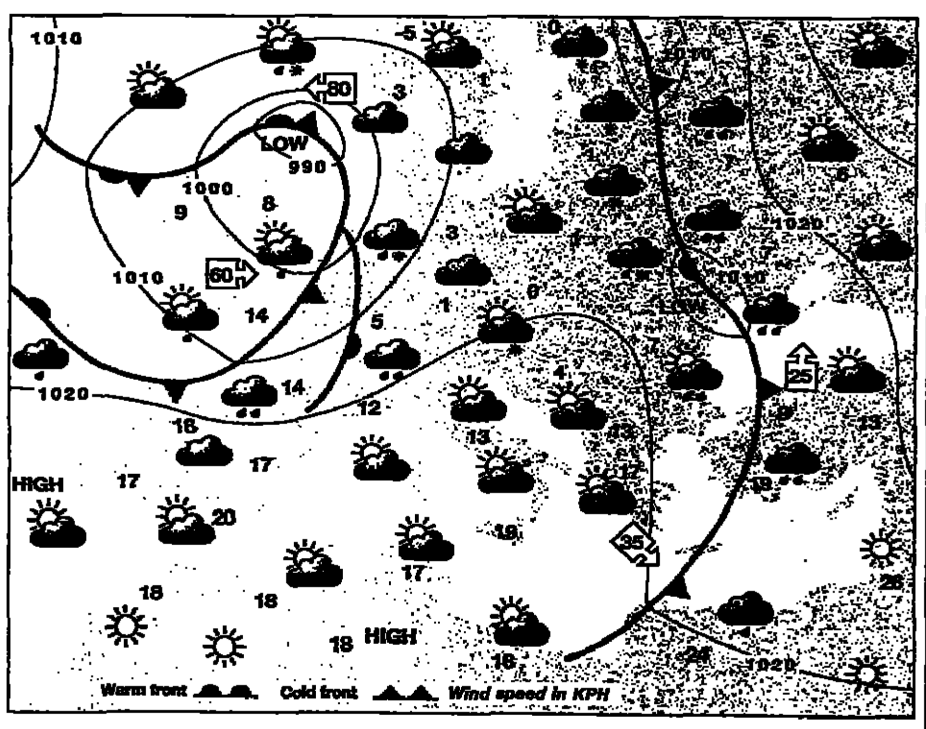
The Benelux and France will have a lot of rain. In eastern sections and on higher ground, rain will be mixed with snow. The wet conditions will be accompanied by moderate to strong southerly winds. The north-west coast of the UK will have cloud and showers.

High pressure will bring dry conditions to a wide area from Spain across Italy and from central Europe to the Baltic Sea.

A front from Russia to Belarus and from the western Black Sea to Crete separates the cold air on the continent from milder air to the south-east. The frontal zone will have cloud and heavy rain.

Five-day forecast

The western Mediterranean area will become unsettled with strong winds and showers. Iberia will be dry and rather sunny. Low pressure in central Europe will bring calm conditions with widespread light snow showers. Southern Scandinavia will be mainly dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 8	Caracas	fair 30	Faro	fair 19	Madrid	cloudy 15	Rangoon	fair 30
	Celsius	Belfast	shower 7	Cardiff	shower 10	Frankfurt	sleet 4	Majorca	fair 19	Reykjavik	fair -2
Abu Dhabi	sun 27	Belgrade	cloudy 4	Casablanca	sun 19	Geneva	rain 5	Malta	fair 17	Rio	shower 25
Accra	thund 32	Berlin	sleet 3	Chicago	fair -1	Gibraltar	fair 18	Manchester	shower 8	Rome	fair 13
Algiers	fair 19	Bermuda	fair 25	Cologne	sleet 5	Glasgow	shower 6	Manila	shower 31	S. Frsco	fair 18
Amsterdam	rain 6	Bogota	thund 21	Dakar	fair 31	Hamburg	sleet 3	Melbourne	sun 21	Seoul	fair 7
Athens	sun 18	Bombay	sun 34	Dallas	rain 9	Helsinki	cloudy 0	Mexico City	fair 23	Singapore	thund 30
Atlanta	thund 19	Brussels	rain 6	Delhi	sun 25	Hong Kong	sun 27	Miami	fair 27	Stockholm	fair 1
B. Aires	sun 25	Budapest	fair 4	Dubai	sun 29	Honolulu	fair 28	Milan	fair 4	Strasbourg	sleet 6
B.ham	shower 9	C.hagen	cloudy 4	Dublin	cloudy 8	Istanbul	shower 17	Montreal	snow 1	Sydney	fair 22
Bangkok	fair 34	Cairo	fair 24	Dubrovnik	fair 10	Jakarta	shower 32	Moscow	cloudy 5	Tangier	sun 19
Barcelona	fair 17	Cape Town	fair 18	Edinburgh	shower 5	Jersey	windy 12	Munich	cloudy 1	Tel Aviv	sun 26
						Karachi	sun 30	Nairobi	shower 24	Tokyo	fair 14
						Kuwait	sun 26	Naples	cloudy 13	Toronto	fair 4
						L. Angeles	sun 23	Nassau	fair 28	Vancouver	rain 7
						Las Palmas	fair 23	New York	rain 11	Venice	fair 6
						Lima	cloudy 22	Nice	cloudy 12	Vienna	fair 2
						Lisbon	fair 17	Nicosia	fair 23	Warsaw	cloudy 1
						London	fair 11	Oslo	snow 1	Washington	rain 12
						Lux.bourg	sleet 2	Paris	rain 9	Wellington	rain 16
						Lyon	rain 3	Perth	fair 24	Winnipeg	snow -9
						Madeira	shower 20	Prague	fair 2	Zurich	rain 5

FINANCIAL TIMES
COMPANIES & MARKETS

Monday November 25 1996

Cemex to aim for expansion outside Mexico

By Daniel Dombey in Mexico City

Cemex, the world's third-largest cement company, aims to double sales within the next five or six years and to reduce its dependence on operations in its volatile home country of Mexico, a senior executive said last week. The company is thought to be considering acquisitions in Brazil.

"The objective is to have very stable cash flow. We intend the Mexican unit to generate only a third of total [cash flow] in a reasonable period of time," compared with 40 per cent today, said Mr Héctor Medina, who becomes vice-president of planning and finances next week.

Many investors have been worried that expansion might be financed by dilutive share issues. Partly as a result, Cemex's stock has underperformed the Mexican market by 4 per cent over the past three months.

Cemex confirmed that sales would have to double over the next few years if the proportion represented by Mexican operations were to be reduced to a third, since the value of Mexican sales is expected to increase as the domestic economy recovers. Sales for the first nine months of the year were 18.5bn pesos ($2.3bn).

"We are not intent on growing for the sake of growth. We, of course, recognise the concerns that the investment community has about the company, and we will not do anything that hurts the company's finances," said Mr Medina.

He conceded that fund managers could spread risk without Cemex's help by buying stocks in other countries. But he argued that the company's record of improving the efficiency of acquisitions in countries such as Venezuela and Spain was another strong reason for continued expansion.

However, because debt covenants prevent Cemex from increasing its debt as a percentage of total capitalisation to more than 55 per cent, analysts believe the company is likely to use new equity issues at least in part to finance expansion and acquisitions. At the end of September, net debt to equity stood at 52.7 per cent.

This summer, the company completed a $700m acquisition of two Colombian cement companies financed through $225m in new equity, as well as cash and debt taken on by the acquired companies. In June, the company cancelled a proposed $340m new equity issue to refinance debt.

Mr Roberto Carrillo, Latin American cement strategist at Deutsche Morgan Grenfell, said: "Acquisitions financed by equity placements are a concern but Cemex is a big company and new issues could be relatively small. The concern should not be overdone."

Japanese telecoms minister calls for early decision on future of group

NTT profits jump 64% in first half

By Michiyo Nakamoto in Tokyo

Strong demand for data communications contributed to a sharp rise in first-half profits at NTT, Japan's domestic carrier, which faces a decision within the year on whether its local and long-distance businesses will be separated.

The company said growth in cellular services – which uses NTT's infrastructure – bolstered interconnection revenues and helped profits jump 64 per cent to Y207.7bn ($1.9bn).

The results came as Japan's telecommunications minister called for an early decision on NTT's break-up in order to ensure that legislation could be passed during the next parliamentary session, beginning in January.

Mr Hisao Horinouchi indicated that the question of NTT's break-up needed to be settled so that a decision could be made on allowing NTT into the international market. NTT is forbidden to operate international businesses under current Japanese law.

The Japanese government has postponed a decision on NTT's break-up several times, making it difficult for domestic telecoms companies to set clear strategies and for foreign companies to determine their strategies for Japan.

The telecoms ministry has long fought for NTT's break-up on the grounds that the company's dominance of the local network gives it an unfair advantage over long-distance rivals and impedes competition. The ministry has insisted that a decision on NTT's entry into international business should come after a decision on its break-up.

However, with the growing globalisation of the telecoms industry, advocates of keeping NTT intact are gaining a bigger voice. The company has argued that it needs to be large and have a certain level of financial strength in order to compete effectively against big, global competitors. The rush of telecoms mergers in the US, and particularly the merger of BT and MCI, has supported this argument.

There is also increasing pressure to allow NTT into the international market. The prime minister's advisory panel on deregulation has urged measures to lift the ban, and Mr Ryutaro Hashimoto, prime minister, has suggested he supports such a move.

In the first half of the year NTT enjoyed a 4 per cent rise in operating revenue to Y3,155.7bn compared with Y3,028.5bn for the same period a year earlier, and an 11 per cent rise in net profits to Y110.2bn compared with Y99.2bn.

The company is negotiating with cellular phone operators to cut access charges, and in the year to March it expects the lower charges to result in a Y40bn reduction in revenues.

Total revenues are forecast to amount to Y6,347bn compared with Y6,234.8bn for the same period a year earlier, with recurring profits coming to Y349bn compared with Y328.9bn. Net profits are forecast at Y205bn compared with Y217.5bn.

INSIDE

Gas Natural

A week-long book-building exercise gets under way today for the Pta35bn ($277.8m) sale to institutional investors of the Spanish state's remaining 3.8 per cent stake in Gas Natural, the dominant domestic gas importer and distributor.
Page 22

GAN

The French government is expected on Wednesday to carry out its promise to sack Mr Jean-Jacques Bonnaud, chairman of the state-owned GAN insurance group, for allegedly helping to thwart the privatisation of its CIC banking subsidiary. The government is likely to name his successor within a day or two.
Page 22

Ericsson

Ericsson, the Swedish telecoms equipment manufacturer, is to restructure its operations into three core divisions to sharpen its focus on mobile telephony and on increasingly convergent telecoms, data communications and multimedia networks.
Page 23

Fund Management

The £4.4bn ($7.48bn) pension scheme of the UK's GEC will this week become one of the first to declare the result of a ballot required by the 1995 Pensions Act to determine whether members are happy to continue with the scheme's rules for appointing trustees.
Page 22

Global Investor

The technology sector is helping to lead Wall Street higher, just as it did for much of 1995. But is the valuation of technology groups losing touch with reality? Or is there a change going on which warrants a revaluation of the sector? The answer appears to be a bit of both.
Page 24

Oil prices become the burning issue

Rally has reached a post-Gulf war high

Step on to an airliner in the Gulf these days and the chances are there will be several western bankers or fund managers making the rounds of the oil-producing states. They are on the trail of the estimated $90bn that members of the Organisation of Petroleum Exporting Countries stand to gain from this year's unexpected rise in oil prices.

Since August oil has rallied to a post-Gulf war high in mid-October of just over $25 a barrel for Brent Blend, the North Sea crude that serves as a global price benchmark. Worries about low stock levels of crude oil and refined products such as heating oil have lifted average 1996 prices to about $20 a barrel, $3 higher than 1995. On Friday Brent for January delivery closed at $23.05.

The upward trend in prices since August has been underpinned by the suspension in September of the United Nations Oil for Food programme with Iraq, under which Baghdad was expected to begin limited oil exports in the autumn.

"Iraqi exports would only have accounted for 1 per cent of world consumption," said Mr Joe Stanislaw at Cambridge Energy Research Associates in Paris. But in a tight market "Iraq was the industry's inventory cover".

The latest rally has been strong enough to unsettle big oil consumers – in recent weeks some airlines have added fuel surcharges to their fares, while consumers in the north-eastern US and northern Europe have scrambled to secure adequate stocks of heating oil before the winter.

Officials in Washington last week attributed much of the growth in the US trade deficit to rising oil prices, while economists have begun to talk about oil's potential inflationary impact on the global economy.

On Wednesday those fears will focus on Vienna, where oil ministers from the 11 Opec countries will hold their first meeting since the latest rally began. But delegates will be careful to do nothing that could cause prices to fall.

In private, top officials admit this year's rise surprised Opec. And they too will be asking each other the same question that is on the minds of consumers and oil companies: how much longer can this rally last?

The oil futures market suggest that short-term prices will stay relatively resilient, albeit with an underlying weakening trend.

Futures prices are signalling that the market's direction will be weather-driven for the next few months, say traders, with prices slipping towards the spring. The price of Brent Blend for delivery next April, at the end of the northern winter, closed at $22.54 on London's International Petroleum Exchange last Thursday, while Brent for delivery in June was at $20.48.

Mr Gary Ross of Pira, the New York oil consultancy, believes the key to market movements in the short term will be whether existing winter stocks prove adequate.

"We are going into the winter with the level of stocks you normally have leaving the winter," he said.

Other analysts suggest that unusually cold weather or a prolonged winter could prevent refiners, especially in the US, from returning to their normal seasonal pattern of production.

Mr Mohammed Abdul Jabbar at the Petroleum Finance Company in Washington, says any big extension of heating oil production into the new year would be at the expense of US gasoline output. If that happened, worries over possible gasoline shortfalls "could give good support to oil prices" in early 1997. But a mild winter could cause the prices of products such as heating oil to crash.

Even if refiners struggle with product imbalances into 1997, however, many analysts expect pressures on crude oil supplies to ease. They believe non-Opec countries' output will jump.

"We see as much non-Opec oil as there is demand," said Mr Ross. A return of Iraqi crude in the first quarter of 1997 would ease supply concerns even further and could push prices down by about $2 a barrel, say traders.

As for price predictions for 1997, many forecasts fall within the $18-$20 a barrel range for Brent.

But some analysts, such as Mr Philip Verleger of Washington consultants CRA, sound a more cautious note. In a recent report he said that low stocks, the growing use of financial futures and options, and lags in reporting of key supply and demand data combined to "make it almost impossible to project the market's future direction with any degree of certainty".

Robert Corzine

Portuguese bank seeks broader base

By George Graham, Banking Correspondent, and Peter Wise in Lisbon

Banco Comercial Português, the Portuguese banking group that expanded last year with the acquisition of Banco Português do Atlântico, is hoping to broaden its market by selling financial products across post office counters.

The move, involving competition with other banks for an exclusive post office contract, would be a direct challenge to state-owned Caixa Geral de Depósitos, Portugal's biggest bank, which dominates the lower-income segment of the banking market.

Mr Jorge Jardim Gonçalves, BCP's chairman and chief executive, said that his group catered for most upper and middle-income sections of the financial services market through a range of segmented brands, but had relatively little impact in the mass market.

"We don't have a solution in this market segment. We'd like to do something with the post office."

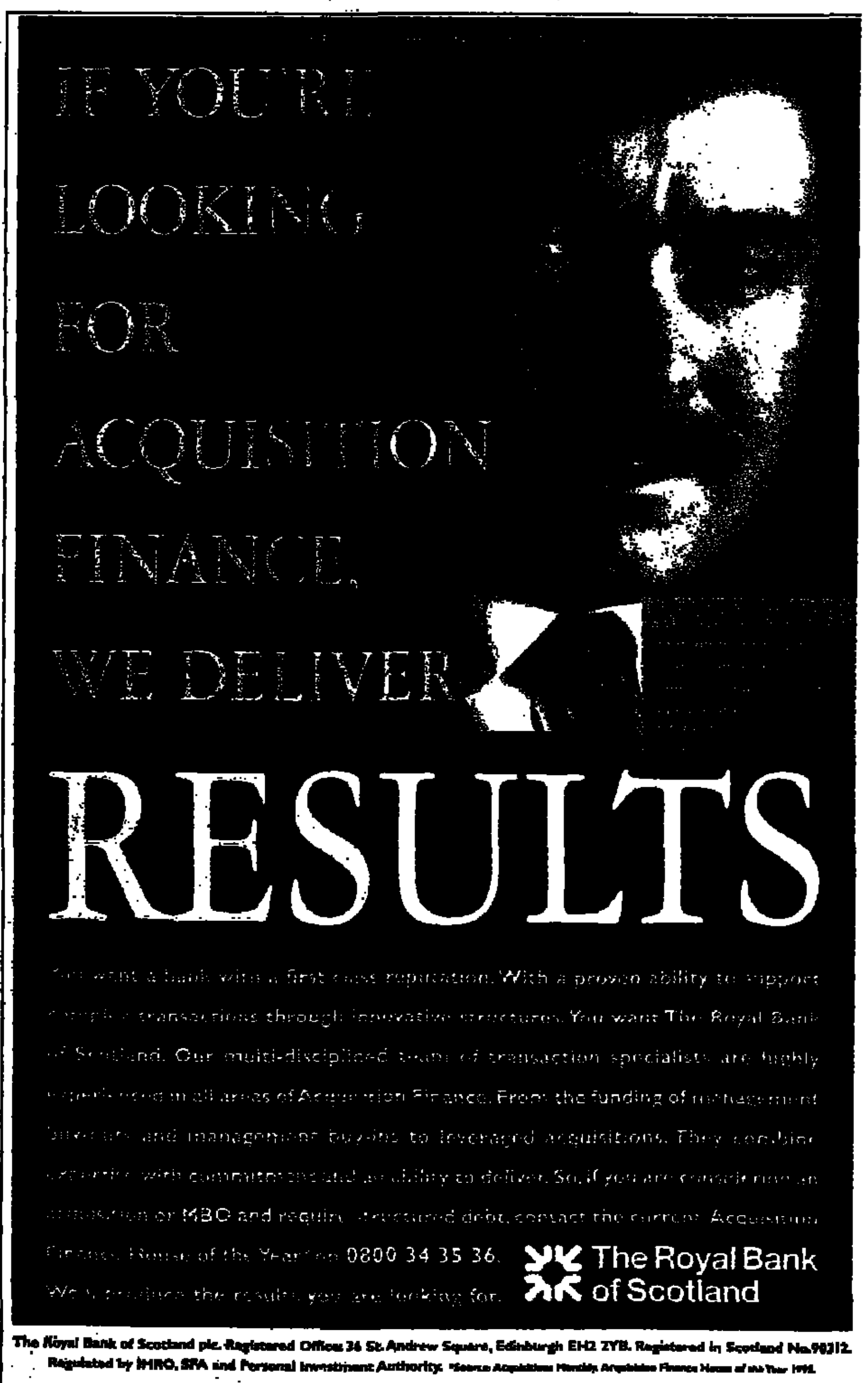
Mr Jardim Gonçalves said he expected the post office, which has an exclusive arrangement with Banco Fomento e Exterior, to hold an auction on new terms for access to its 1,050 branches.

Two years ago, BFE reached an agreement with the post office, Correios de Portugal (CTT), to market financial products including mortgages, consumer credit, investment and business loans, leasing and vehicle hire over CTT counters.

Bank services sold through CTT are aimed at small businesses, the self-employed and other individuals, particularly those unwilling to meet the minimum deposit requirements of most banks.

The financial aspects of BFE's deal with the post office, including the commission rates that CTT charges, have not been disclosed. But post office officials were quoted as saying CTT could earn Es300m ($2m) a year from the agreement, which could involve annual lending of up to Es20bn.

The arrangement contributed to an unexpectedly strong turnround for the post office in 1995, to a net profit of Es655m from a net loss of Es1.1bn in 1994.



STATISTICS

COMPANIES IN THIS ISSUE

Royal jeweller Asprey sees losses deepen after charges

By Christopher Price in London

A bejewelled music centre-cum-pirate's chest was among the hundreds of objets d'art cleared out at Asprey last year as the luxury retailer took a £17m ($28.7m) provision for slow-moving stock and unveiled deepening losses.

The disposals, which involved a one-off, invitation-only sale at its store in Bond Street, London, were part of the new management's strategy of updating the royal jeweller ahead of plans to make Asprey a global brand.

With a further £10m charge for rationalisation and reorganisation among its other businesses, including the Mappin & Webb and Watches of Switzerland chains, pre-tax losses rose from £9.82m to £21.7m.

But the group made profits from continuing operations of £7.67m. Turnover rose 20 per cent to £212.9m.

Asprey was taken private late last year by Prince Jefri Bolkiah, younger brother of the sultan of Brunei, for £243.5m, following a turbulent 12 months during which it plunged into the red.

Mr Ian Dahl, appointed chief executive shortly before the group's acquisition a year ago, said most of the clear-out had involved "exotica designed from the mid-70s" deemed inappropriate to today's tastes.

Allied to the rationalisation, strict stock control measures have been introduced, along with a new IT system, while merchandising and marketing have been given a higher priority.

While appealing to its traditional client base, Mr Dahl is keen to update Asprey's image to attract new customers, in particular in the US and the Asia-Pacific region.

"The key to our business plan is the international opportunity that exists for Asprey."

Asprey has one other store, in New York. Mr Dahl envisages a further three US stores by 2001, with boutiques planned for luxury hotels. Similarly, in Asia-Pacific the group plans to open outlets in five-star hotels.

Little expansion of the 16-strong Mappin & Webb luxury goods chain, or the 19-strong Watches of Switzerland business is planned, although refurbishment is being undertaken.

Since the March 31 year-end, like-for-like sales were showing double-digit growth at Mappin & Webb, Watches of Switzerland and Asprey, with the latter particularly strong, said Mr Dahl.

Lex, Page 20

Gas Natural sale ready for launch

By Tom Burns in Madrid

The first market privatisation by Spain's new centre-right government gets under way today with a week-long book-building for the Pta35bn ($277.6m) sale to institutional investors of the remaining 3.8 per cent of equity held by the state in Gas Natural, the dominant domestic gas importer and distributor.

The disposal, which is being co-ordinated by BBV Interactivos, the broking unit of the big Spanish banking group, and by SBC Warburg, sets the scene for the government's plans to raise some $7.8bn in privatisation receipts during 1997 – more than twice the amount realised in a single year from the sale of state-held equity.

There is considerable interest in the disposal of the state's equity in Gas Natural because the structure of the offering is a trial run for the other privatisations scheduled for next year.

The key feature of this week's book-building is that, for the first time in a Spanish privatisation, the offer is significantly weighted towards domestic institutions. The tranche for Spanish institutions represents 60 per cent of the disposal: 40 per cent is being offered to international funds.

This represents a sharp break with past privatisations in Spain, in which international funds were offered the lion's share of the institutional tranche. The reversal of the geographic allocation reflects the growth of domestic savings, thanks in part to favourable tax legislation, and the increasing domestic fund appetite for equity investments because of falling interest rates.

BBV and other big domestic banks have been lobbying the government for such a weighting. If domestic institutional demand for Gas Natural is in line with what the Spanish co-ordinators expect, the disposals planned by the government next year are likely to be aimed primarily at the home market.

Early next year the markets are due to be offered the state's remaining 21 per cent stake in Telefónica, the telecoms group, and the remaining 10 per cent that it owns in Repsol, the dominant oil and chemicals conglomerate which in turn owns 46 per cent of Gas Natural.

● Endesa, Spain's dominant electrical utility, has taken the first step towards its privatisation by appointing BZW, the merchant banking unit of the UK's Barclays group, strategic adviser for the biggest disposal of government equity in Spain.

The government plans late next year to start selling the 66.8 per cent stake it owns in Endesa in tranches of some 20 per cent spread over three years. The state's equity in the utility is worth $9.3bn at current market prices.

Endesa lifted net profits for the first nine months by 11.6 per cent to Pta120.95bn.

GAN chief to be ousted on Wednesday

By David Buchan in Paris

The French government is expected to carry out on Wednesday its promise to sack Mr Jean-Jacques Bonnaud, chairman of the state-owned GAN insurance group, for allegedly helping thwart privatisation of its CIC banking subsidiary. It is expected to name his successor within a day or two.

Mr Jean Arthuis, finance minister, halted the privatisation of CIC 10 days ago following demonstrations by the bank's employees, complaints from politicians on the government side and the receipt of two bids, from BNP and Société Générale, for CIC which the government judged were too low.


Jean-Jacques Bonnaud: accused of undermining privatisation of CIC

Mr Arthuis also asked Mr Bonnaud to resign, complaining that he played a part in undermining the CIC sale by telling the official privatisation committee that the BNP and Société Générale offers – both around FFr6.7bn ($1.3bn) – were so far below the FFr14.5bn net asset value of CIC on GAN's books that accepting either would require a recapitalisation of GAN.

Most unusually for a French state company head, Mr Bonnaud has refused to move until he is forced out by a cabinet decree this Wednesday. Exploiting the absence last week of a cabinet meeting to formally revoke his mandate, Mr Bonnaud has gone to the press to argue his case that he only did his job defending the best interests of GAN.

But Mr Bonnaud has since claimed that the government would have been better advised to pursue an alternative strategy. This would involve recapitalising GAN to cover an accelerated sale of its bad property loans, thereby enabling its core and now profitable insurance business to be privatised along with CIC, and thus preserving the link between GAN and CIC.

This, he claimed, would assuage worries by the 11 regional banks which make up CIC about being taken over by a big Paris bank that might centralise them.

Peruvians rush to buy Luz del Sur shares

By Sally Bowen in Lima

Early indications are that the Peruvian government's offering of a residual 30 per cent holding in electricity distributor Luz del Sur – worth up to $200m – will be a success. Four days after the domestic tranche was launched, about 80 per cent of the shares available locally had been applied for.

This is expected to boost interest in a series of international roadshows which start in London today.

"Frankly, it's a successful operation, and we'll clearly reach our target," said Mr Javier Tovar in Lima on Saturday, after early results were computed. Mr Tovar heads the "citizen participation" programme which is charged with creating a small shareholder class and mentality in Peru.

Almost 50,000 Peruvians have already applied for Luz del Sur share packages worth between $200 and $8,000. They must put down 10 per cent on filing the application, with another 18 months to pay the remainder under an instalment plan. They receive a 10 per cent discount on the final price and one share for each 20 held after two years.

Luz del Sur is only the second fully-fledged offering under the citizen participation mechanism. It follows the almost too successful precedent set in July with Telefónica del Peru. Then, 270,000 Peruvians applied for shares and the local tranche was severely cut back. After wide-scale protests, the government was obliged to sell a further slice of its retained holding to help satisfy demand.

This time, 55 to 60 per cent of the offering – around $120m at current market prices – is being reserved for locals. Those applying for larger amounts will receive fewer shares than they want but, Mr Tovar is already explaining, "that means the future of the share is considerably more certain".

A good local response was considered crucial to support the international offer. CS First Boston is lead-managing the placement with institutional investors, and Luz del Sur is destined for a NYSE listing under Rule 144a. Issue price will be set overnight on December 10.

Although relatively small, the international tranche is billed as an opportunity to gain a foothold in the Peruvian electricity sector, which is growing fast. Luz del Sur – acquired at auction in 1994 by Ontario Hydro and Chilquinta of Chile – has expanded its client base by 25 per cent in less than two years, investing around $100m. Profits rose from $5.3m in 1994 to $33.5m last year.

US accountancy group to float on Aim to raise £2m

By Alexandra Capelle

Open Systems Holdings, the US accountancy software group, is to announce the UK launch of its products and its flotation on Aim in early December to raise between £1.5m and £2m ($3.38m).

The company, which is 80 per cent owned by Mr Michael Bertini, chief executive, who bought it from Unisys in 1990, will have a market capitalisation of £10m.

A placing of shares equal to 30 per cent of the company's equity will dilute the holdings of Mr Bertini and Mr Bill Wolff, the chief operating officer, who holds the remaining 20 per cent.

"We see the Aim market as a very good stepping-stone and as a sign of commitment to the UK market," Mr Wolff said.

The money raised will be used tointroduce the company's Traverse desk-top software to the European market after launching it in the UK in January, Mr Bertini said. So far, all investment had been directed to product development, leaving only £28,000 for UK marketing this year.

The company plans to keep its R&D group in the US, but is moving its headquarters to London.

The company's R&D team had spent 20 months studying the UK, producing applications written especially for the international market, which was almost two years behind US software developments.

Development of Traverse had begun three years ago and was launched in the US in May 1995.

Butterfield will be advisors and brokers to the placing.

Lloyds chiefs alter contracts

By Christopher Price and Ross Tieman

Five directors of Lloyds Chemists stand to make at least £3m ($5m) if the retailer is taken over following arrangements put in place since the company received separate takeover approaches from Gehe and UniChem.

Changes to directors contracts and an executive incentive scheme, revealed in shareholder documents, could entitle chairman Mr Allen Lloyd and four colleagues to substantial and, in some circumstances, automatic payments.

All of the arrangements have been introduced since Lloyds received an approach from UniChem last December, after by a bid from Gehe of Germany the following month. The rival offers, which were strongly supported by the Lloyds board, were referred to the competition authorities in March, causing them to lapse.

Both suitors re-launched their takeover attempts after receiving regulatory clearance last month. But after the offers had lapsed, Lloyds put in place a compensation scheme which would give its five executive directors two years' gross contractual remuneration should they be dismissed or resign from the group within six months of it being taken over.

Under these arrangements, Mr Allen Lloyd, founder and chairman, would receive at least £1.2m.

The Lloyds remuneration committee has also replaced the company's executive share option scheme with a Long Term Incentive Plan, which could add £422,500 to any pay-out.

GEC ballot set to test pensions scheme reform

William Lewis describes how the new options for appointing trustees have raised tensions

This Friday GEC's £4.4bn pension scheme will become one of the first to declare the result of a ballot of its members required by the 1995 Pensions Act to determine whether they are happy to continue with the scheme's key rules for appointing trustees.

Under the rules of the ballot, if 10,000 or more GEC scheme members object to the company's proposals then the trustees of the GEC pension scheme will implement a new structure under which members will be able to elect at least one third of the trustee directors.

The requirement for companies to consult pension scheme members on the method for appointing trustees forms one of the main parts of the Pensions Act. The government argued that trustees were one of the main bulwarks against Maxwell-type pension fraud being committed and the act had granted scheme members the right to reject proposals put forward by companies. If this happens the act forces companies to implement procedures which ensure that scheme members are able to elect at least one third of the trustees as so-called member nominated trustees (MNTs).

In spite of it being one of the first to be held in the UK, the GEC ballot appears to have raised little interest among scheme members, and the signs are that the company's proposals will go through. "There are a few people that are objecting, their letters are dribbling in," Mr Philip Read, GEC's deputy pensions manager said last week.

In contrast, pension campaigners have taken a keen interest in the ballot. MSF, the trade union for skilled and professional workers, has complained to the Department of Social Security stating that: "GEC has manipulated the procedures in order to try and prevent pensioners having any say in who the member trustees of their scheme are."

GEC denies the MSF allegations and argues that its current structure for appointing trustees "has stood the test of time" and that it is better to "develop it" rather than implement a "more expensive, highly regulated statutory structure".

The row over the GEC ballot is one that is likely to be repeated several times over the next year as companies and trustees move to comply with the MNT Pensions Act regulations. For example, Pearson, owner of the Financial Times, is facing trade union criticism of its proposals to establish a selection panel to help decide which individuals nominated by members should be allowed to become trustees.

FUND MANAGEMENT

Companies have until May 5 1997 to inform pension scheme trustees if they intend to ask members to approve continuing with the current appointment system or introduce a new structure – the so-called "opt-out".

Companies deciding to opt out, such as GEC, must ballot active and pensioner members, but do not have to include deferred members in the vote. Companies can choose one of two types of ballot: the "objection approach", being used by GEC, under which the company's proposals will be treated as approved unless 10 per cent or 10,000 members object; and "the ballot approach", under which the proposals will be treated as approved if a majority of the votes cast is in favour.

If the company's proposals are rejected then trustees can seek the permission of members, through another ballot, to introduce tailor-made MNT rules, for example allowing pensioners a say in the selection of MNTs even though the act does not require it. If these proposals are also rejected then "prescribed rules", which include the requirement to have one-third MNTs, are automatically put in place.

The tension between companies and pension group campaigners appears to stem mainly from the different expectations they have about use of the opt-out.

Campaigners and industry experts say they anticipated that a small number of companies would seek to use the opt-out, but that most would go along with the act's intention to ensure that every scheme's trustee body had a minimum of three MNTs. "The introduction of MNTs was one of the act's key measures aimed at increasing security of benefits in occupational pension schemes and restoring public confidence following the Maxwell affair," said William M. Mercer, the leading pensions consultancy.

However according to Mr Chris Johnson, a partner at lawyers Clifford Chance, "the vast majority of schemes are going for employer opt-out".

The National Association of Pension Funds plays down the extent to which this could lead to conflict. A survey it carried out showed that 76 per cent of private sector schemes already had non-director employees as trustees. "Employers with schemes that have some sort of participation or representation of the workforce are the ones most likely to be putting forward proposals sticking with arrangements they already have," the NAPF said. The NAPF conceded that its survey did not disclose the extent to which employers were involved in the nomination of non-director staff as trustees.

Orix ahead but warns on second half

By Gwen Robinson in Tokyo

Orix, Japan's largest leasing company, said increased revenues from leasing contracts helped lift interim earnings, although recurring profit for the full year to March was expected to fall 14.4 per cent from the previous year, to Y10bn ($90m).

Low interest rates and strong demand for leasing contracts helped the company's core operations in leasing vehicles, aircraft and industrial machinery, which accounted for nearly 70 per cent of revenues.

Orix continued to expand overseas operations while diversifying its domestic side into financial areas including housing loans, life insurance and direct financing to small businesses through a variety of subsidiaries.

For the first half to September, recurring profits rose 1.2 per cent to Y5.3bn. Overall revenues increased 3.3 per cent to Y320bn, while net profit edged up 0.5 per cent to Y2.6bn, or Y40.94 a share.

On a consolidated basis, interim net profits rose 6 per cent to Y10bn, or Y155.33 a share. Group pre-tax profit rose 4.9 per cent to Y20bn on operating revenues of Y168.83bn, up 9 per cent.

For the full year, Orix expects consolidated net profit of Y19bn, up from Y18bn, and recurring profit of Y37bn, against Y35bn.

INTERNATIONAL NEWS DIGEST

Shake-up at Sai as chairman jailed

The Italian insurance industry is braced for a changing of the guard at Sai, the country's leading car insurance group, following confirmation of a prison sentence of two years and four months for Mr Salvatore Ligresti, the chairman.

On Friday, Sai told the industry's regulatory authority, Isvap, that Mr Ligresti and Mr Fausto Rapisarda, managing director, who faces a sentence of two years and five months, would step down. Isvap had demanded that they observe rules on honourable trading based on legislation for the banking and insurance sector which required them to resign by December 12 – 30 days after the sentences were confirmed by the appeals court in Rome.

The sentences concerned funds paid illegally to the Socialist and Christian Democrat parties to allow a company to be set up by Eni, the state oil group, Sai and Salomon Brothers of the US to extend life cover to Eni employees. A 5½ year sentence was also imposed on Mr Bettino Craxi, the former Socialist prime minister now in self-imposed exile in Tunisia.

Sai's lawyers, however, are considering another aspect of the directive from Isvap which has potential implications for voting rights on shares in Sai. Mr Ligresti owns just over 50 per cent of the holding company, Premafin, which in turn has 43.8 per cent of Sai. Although under the regulations Mr Ligresti loses his voting rights, it is not clear whether Premafin would lose them. Mr Luciano Roasio, general manager of Sai, said yesterday: "The company is not worried about this because the autonomy given it by Mr Ligresti as chairman will continue with him as shareholder. He added that it was likely a new chairman and managing director would be named within 10 days.

Mr Ligresti, once known as "the king of Milan concrete", was one of the first Italian businessmen caught up in the Tangentopoli bribes scandal. Earlier this year he stepped down as chairman of the heavily indebted Premafin, which has been implementing a rescue plan put in place by Mediobanca, the Milan merchant bank. Sai, which made net profits of L92bn ($61m) last year, has been the jewel in Premafin's crown. *John Simkins, Milan*

Expansion costs hit Hollinger

Extraordinary items and discontinued operations enabled Hollinger, the international newspaper group controlled by Mr Conrad Black, to move from a small loss to double-digit earnings in the third quarter. Excluding the special items, however, the Toronto-based group incurred a loss of C$5.5m (US$4.1m) in the three months to September 30, against C$200,000 a year earlier.

The deterioration reflects lower equity earnings from John Fairfax, the Australian group in which Hollinger has a 24 per cent stake, higher tax provisions, and increased interest costs stemming from recent US and Canadian acquisitions. Net earnings were C$26.6m, or 41 cents a share, compared with a loss of C$2.2m, or 11 cents. Revenues climbed to C$428.9m from C$356.3m. Interest expenses rose to C$38.2m from C$21.6m. Hollinger's bank debt totalled C$791.4m on September 30, more than double the level at the end of last year. Long-term debt increased to C$816.9m from C$707.2m.

Earnings before interest, taxes and depreciation were up 52 per cent, partly because of lower newsprint prices in the US, where Hollinger owns the Chicago Sun-Times and several hundred small, rural papers. Hollinger said it was "not surprising" that third-quarter earnings from its recently-increased stakes in the UK Telegraph group, Canada's Southam chain and newly-acquired North American papers were lower than related interest costs. *Bernard Simon, Toronto*

ARD agrees decoder details

ARD, the German public sector broadcasting network, has reached an agreement with television hardware makers over the specifications for a decoder box, the set-top technology needed for the reception of digitally transmitted programmes. Details of the manufacturers and the exact technical standards of the decoders will be announced this week.

The ARD-approved decoder box is expected to be much cheaper than models already on the market, as ARD's digital service, which is scheduled to be launched next year, will be free-to-air and does not require the expensive conditional access technology needed for the billing and subscriber management of pay-TV. Earlier this year, the Munich-based Kirch launched Germany's first digital pay-TV service, called DF-1, with a 'd-box' decoder costing DM880 ($587) which is manufactured by Nokia.

Last week DF-1 announced it had signed up 20,000 subscribers. Mr Gottfried Zmeck, chief executive, conceded that DF-1 was well short of the original target of 200,000 subscribers by Christmas. He blamed this on the fact that that negotiations with Deutsche Telekom over the inclusion of DF-1 in Germany's national television cable network had not yet produced a result. *Frederick Stüdemann, Berlin*

Ashton Mining in ADE offer

Ashton Mining, the Australian diamond miner which is a joint partner with the UK's RTZ-CRA in the Argyle mine in Western Australia, has announced a A$1.40 a share cash offer for the 22.4 per cent of Australian Diamond Exploration it does not already own. The bid values ADE at just over A$62m (US$50.3m).

ADE's main asset is a 44.5 per cent stake in the Merlin diamond project in the Northern Territory, which has now moved to the final feasibility study stage. Ashton argued that mopping up the minority in ADE – which would take Ashton's stake in Merlin to 77.5 per cent – would facilitate the further feasibility study work, and probably make financing easier should the go-ahead be given. A decision on Merlin is expected by May and if all goes well, production could start by early-1998. ADE, however, advised shareholders to take no action until the Ashton offer had been assessed. *Nikki Tait, Sydney*

New deal for Total Access

Total Access Communication, one of Thailand's top mobile phone system operators, has reached an agreement with the Communications Authority of Thailand (CAT) to extend its concession period by five years and lower the amount of revenue it pays to the state-run agency. Total Access will now be allowed to run its system until 2017, beyond 2013 as earlier agreed. Average revenue sharing over the entire period will be 24 per cent, down from 26 per cent under the old agreement.

CAT gets certain benefits. Total Access has agreed to waive the exclusivity clause of the concession agreement, allowing CAT to award concessions to other operators on frequencies other than Total Access's 800MHz and 1,800MHz. CAT can also expand its own cellular subscriber base above the current 50,000. *Ted Bardacke, Bangkok*

■ Global One, the international telecommunications joint venture of Deutsche Telekom, France Télécom and Sprint of the US, expects sales of $1bn next year, said Mr Viesturs Vucins, chairman. Sales this year should reach $800m. Mr Chris Rooney, president of the world division, said the company expected to announce partnerships in Asia in the next 12 months and was seeking links with one of the three leading telecoms operators in each country in the world. *AFX News, London*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

Recovery gathers pace at Metallgesellschaft

By Frederick Stüdemann in Berlin

Metallgesellschaft, the German industrial and trading group which was almost wiped out three years ago by heavy oil trading losses, has announced a 70 per cent rise in pre-tax profits to DM290m ($193.5m) for the year and said it might soon resume dividend payments.

Shares rose on the news on Friday, before falling back slightly to close at DM28.28, up 8 pfennigs on the previous day.

The company said poor cyclical conditions and the disposal of loss-making activities had dented sales, which fell 9 per cent to DM16bn. The surge in profits was largely driven by the plant engineering and chemicals subsidiaries. An ongoing refocusing of the group's portfolio of subsidiaries had also helped.

"We no longer have any loss-makers. All the weak points are gone," said the company. The most notable weak point to go was the oil trading activities of MG Corp, the US-based oil and gas trading subsidiary.

In 1993 a series of large and disastrous trades by MG Corp in the oil futures market brought Metallgesellschaft to the brink of bankruptcy.

MG Corp's activities have since been limited to gas trading, though Metallgesellschaft said the subsidiary would be kept as a holding company under which future acquisitions may be placed.

Metallgesellschaft said net debt, which, because of MG Corp, stood at DM8.7bn in 1993, had since been reduced to DM400m and this was further evidence of overall recovery.

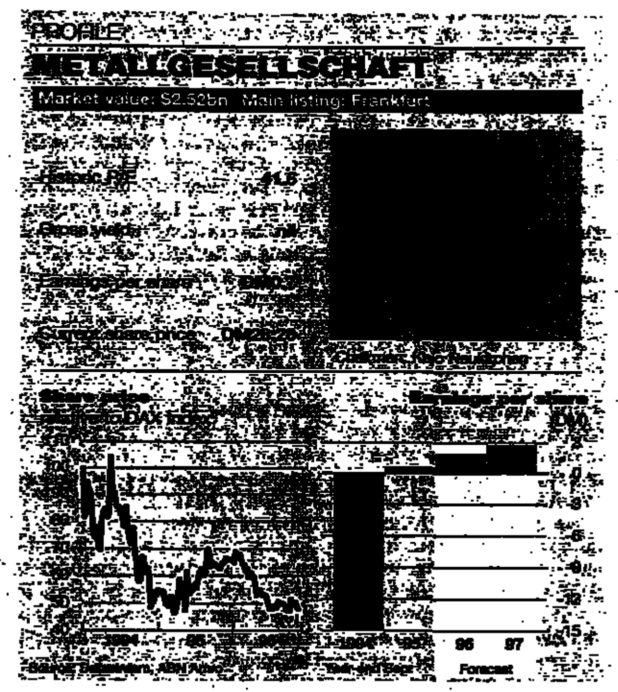
"It is remarkable that three years after the disaster, when we had losses of over DM3bn, we are now able to even mention the word dividend," the company said.

Dynamit Nobel, the chemicals subsidiary, was the best performing part of the group. Sales role 5.7 per cent to DM8.7bn. This was partly because of the inclusion of Hoechst CeramTec, a structural ceramics maker, which was merged with Dynamit Nobel unit Cerasiv.

Another factor was continued expansion outside Germany, particularly in south-east Asia, eastern Europe and South Africa. Some 20 per cent of Dynamit Nobel's sales in the last year came from south-east Asia.

The plant engineering business also saw a greater globalisation of its activities. In October, Metallgesellschaft merged two engineering subsidiaries, Lurgi and Lentjes, as part of a strategy to achieve greater synergies.

In the financial services division, Metallgesellschaft said the disposal of Metallbank, which was sold earlier this month to Schmidt Bank, offered scope for further acquisitions in the group's core industrial and trading businesses.



Ericsson to restructure into three core divisions

By Hugh Carnegy in Stockholm

Ericsson, the Swedish telecoms equipment manufacturer, is to restructure its operations into three core divisions to sharpen its focus on mobile telephony and on increasingly convergent telecoms, data communications and multimedia networks.

The Stockholm-based group, which claims to be the world's biggest supplier of telecoms equipment, will remodel its operations from the beginning of next year from five divisions now to three, covering telephones and terminals, mobile systems and what it called "infocom systems".

The move is designed to reinforce Ericsson's leading position in mobile telephony, which has driven its rapid sales and profits growth in the past three years.

It is also aimed at strengthening the fixed network business, which has already been heavily reworked to adapt to the rapid shift under way from traditional voice telephony to new communications technologies integrating computer and multimedia networks.

Ericsson has reported 20 consecutive quarters of sales growth. Pre-tax profits in the first nine months of 1996 rose 30 per cent to SKr6.5bn ($982m) on sales of SKr78bn.

But profitability in the public telecoms operations, covering fixed networks, has been low recently as the business was overhauled to shed low value-added component and hardware manufacturing and concentrate on high value intelligent networks, Internet access and other telecoms management systems.

Investors welcomed the latest restructuring. Ericsson's most-traded B share rose SKr4.00 on Friday in high volume trading, closing at SKr205, close to this year's high of SKr208.

The restructuring will split Ericsson's mobile operations. One division will make mobile and cordless handsets, modems and advanced network terminals for end-users; second will make mobile system infrastructure for mobile network operators. The third, "infocom" division will combine fixed systems for public fixed network operators and private business networks, which had been separate.

Splitting the mobile operations mirrored the structure at Nokia, Ericsson's big Finnish rival. Nokia is second in the world to Motorola of the US in mobile handsets, but trails far behind Ericsson in the sale of mobile infrastructure, where the Swedish group is the clear leader.

Ericsson said the diverging marketing needs of mobile handsets and mobile infrastructure lay behind the splitting of the two operations. Mobile handsets, sold directly to individual mobile users, are increasingly marketed like other consumer electronics, with heavy stress on function and styling.

Pressure in handsets is rising on Ericsson and Nokia from competitors such as Philips of the Netherlands and Panasonic of Japan with much greater expertise in consumer electronics than the Nordic companies.

Skanska ahead but orders slow

By Greg McIvor in Stockholm

Skanska, Sweden's largest construction group, reported a 68 per cent rise in interim profits but warned that demand in its main Swedish market was likely to fall heavily.

Group pre-tax profits increased from SKr2bn to SKr3.4bn ($514m), in line with expectations. They included a SKr1.8bn capital gain from share transactions and a SKr1.1bn write-off against trademarks related to an acquisition.

Skanska said order flow had been strong, rising from SKr27.4bn last year to SKr36bn, and driven by a strong increase in third-quarter orders from international operations, particularly in the US.

Mr Melker Schörling, chief executive, said the Swedish market for residential construction remained weak, notwithstanding a slight upturn in the first half, and investment in roadbuilding and civil engineering projects was slowing.

The group said it benefited this year from several substantial infrastructure projects in Sweden which would not recur. "The Swedish market will drop during the winter and it might be dramatic," Skanska said.

Operating profits from Swedish construction rose from SKr319m to SKr369m on sales of SKr13.3bn, against SKr12.4bn. Operating margins rose from 2.6 per cent to 2.8 per cent, mainly due to rationalisation and efficiency measures.

An order inflow of SKr7.4bn was noted in international construction operations during the third quarter, taking orders received this year to SKr14.7bn – an improvement of 31 per cent on last year.

Operating profits in the division rose from SKr210m to SKr225m and turnover from SKr11.2bn to SKr11.8bn. Growth was strong in the US operations, while project demand in Russia was higher following the presidential election. Germany, where demand has been soft for some time, was beginning to show signs of an upturn.

Total group sales advanced from SKr29bn to SKr35bn, although the increase was only 7 per cent after allowing for the consolidation of Skane-Gripen, a Swedish building materials group acquired this year.

Real estate operating profits rose from SKr1.1bn to SKr1.5bn after depreciation.

Skanska's shares rose SKr0.50 to SKr300.50 in Stockholm on Friday.

Fuji Film overcomes weak prices

By Michiyo Nakamoto in Tokyo

Fuji Photo Film, which is the dominant supplier of film and photographic paper in Japan, increased first-half pre-tax profits 5 per cent with the help of rationalisation measures which helped offset price declines.

Parent company sales in the first half rose 1 per cent to Y401bn ($3.6bn) and pre-tax profits came to Y58.9bn. Net profits were 7 per cent higher at Y31.8bn. In the full year, Fuji Film expects sales to rise from Y780.6bn to Y818bn and pre-tax profits to increase from Y115bn to Y120bn.

Fuji Film, which has been at the centre of a dispute between the US and Japan over its dominance in the Japanese market, has been affected by falling prices because of the spread of cheaper, imported and private-brand photographic film.

It has been fighting a public relations battle with Kodak, its US rival, which claims the Japanese company unfairly restricts competition in the domestic market. Fuji has countered that Kodak has a similarly large share of the US market, and that it does not have any influence over wholesalers, as Kodak alleges.

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Richard Waters in New York

Techs lead Wall Street higher

Intel joined a very select group of companies this month. On the back of a confident forecast, the semiconductor maker's market value nudged above $100bn (£59.1bn) – a milestone passed before only by General Electric, Coca-Cola and Exxon.

Microsoft is in hot pursuit. The stock market judges it to be worth $92bn, two and a half times its value at the start of last year.

Even in a stock market whose rise has exhausted hyperbole, stories like these stand out.

The technology sector is helping to lead Wall Street higher, just as it did for much of 1995. Is the valuation of technology companies beginning to lose touch with reality? Or is there a secular change going on here which warrants a revaluation? The answer is a bit of both; and the question for share prices generally is: what happens the next time the techs fall back?

Technology stocks now make up 12.5 per cent of the weighting of the Standard & Poor's 500, up from 8.4 per cent at the end of 1993. If you were to draw up a list of the US's 30 or so most valuable companies, it would now include names like Cisco Systems (a maker of computer networking equipment) and Oracle (database software) as well as Intel and Microsoft.

This is one of those shifts in market weighting that demands attention. Computer makers like International Business Machines and Hewlett-Packard have long had a place among the ranks of top US companies. But now the value is shifting to companies that write software, build systems and provide services.

But why the massive revaluation relative to the market – a rerating that looks all the more remarkable, given the trajectory of stock prices generally?

Information technology has certainly come to account for a far bigger share of national spending in the US, after growing at a rate of 8 per cent a year in the late 1980s and early 1990s. Other countries spend less (see chart) but are catching up.

This growth pattern, though, is well understood.

One argument for according these companies a higher rating is that, the bigger they get, the stronger their grip on standards in their particular part of the information technology business. Like Microsoft and Intel, Cisco and Oracle have unchallenged leadership in a global industry. That translates directly into higher profit margins.

In a recent report*, analysts from Morgan Stanley call this "franchise value". The faster the revenue growth and the fatter the margins, the stronger a company's grip on its market – and the higher the valuation it demands. On that basis, they conclude, Intel (traditionally seen as a cyclical company) should be much closer to the earnings multiple of a Microsoft (an out and out growth stock).

A revaluation along these lines already seems to have been under way. Intel has just moved to a slight premium to the market – a multiple of around 17 times next year's earnings, compared with around 16 times for the Standard & Poor's 500. IBM, despite its recent run-up, is at 12 times.

These numbers are based on some aggressive growth forecasts after a slow 1996. According to Mr Charles Hill, director of research at First Call, Wall Street analysts expect the earnings per share of US semi-conductor companies to bound ahead 27 per cent next year, after slipping 4 per cent in 1996. Computer makers' earnings are expected to grow 5 per cent in 1996 and 35 per cent next year. If they can hit those growth rates, current valuation levels don't look too outlandish.

Technology companies long viewed as growth stocks are also bursting out of their traditional valuation ranges relative to the rest of the market. Microsoft, at 37 times next year's earnings, is now at 2.5 times the market average, a similar level to Oracle and Cisco Systems.

Traditionally, Microsoft has traded at between 1.5-2 times the market. That reflects a tremendous belief in the power of its franchise.

If the technology bubble bursts, what will it do to the rest of the market? A fall last year failed to dent the market's momentum as the bulls simply shifted their attention to other sectors. The same thing has been happening this year, points out Mr Martin Barnes of Bank Credit Analysts, with the market's attention switching in recent weeks from global consumer goods companies (remember all that talk of a new "Nifty Fifty"?) towards cyclical stocks.

But the bigger they get, the harder they fall.

* *Global Investing: The Competitive Edge, Morgan Stanley.*

Spending on information technology

Source: OECD, Morgan Stanley

Total return in local currency to 22/11/96

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.10	0.01	0.05	0.05	0.16	0.11
Month	0.45	0.04	0.26	0.69	0.69	0.49
Year	5.63	0.54	3.91	10.66	10.56	6.83
Bonds 3-5 year						
Week	0.11	-0.08	-0.19	0.00	0.17	0.43
Month	1.73	0.05	0.06	0.44	2.79	-0.16
Year	5.58	2.33	7.39	11.20	24.77	7.32
Bonds 7-10 year						
Week	0.19	0.01	-0.08	0.02	-0.09	0.74
Month	3.10	0.49	1.01	1.07	3.88	0.57
Year	5.25	5.31	9.77	15.03	37.39	9.32
Equities						
Week	0.9	0.2	-0.1	0.7	0.8	0.7
Month	4.7	-1.3	1.9	2.8	4.8	-2.4
Year	25.4	8.9	26.8	25.9	14.4	14.2

Source: Cash & Bonds - Lehman Brothers. Equities - FT/Extel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Fortis likely to show strong profit growth

Fortis, the Dutch-Belgian financial services group, is expected to report on Thursday net profit for the nine months to September of between Fl 526m and Fl 554m, up from Fl 469m a year earlier.

Fortis' Amsterdam-listed parent company Fortis Amev is expected to report nine-month net profit of between Fl 577m and Fl 599m or Fl 3.16 – Fl 3.30 per share, compared with year-earlier figures of Fl 518.7m or an estimated Fl 2.87 per share, restated for Fortis Amev's 5-for-2 share split in June.

Earnings for the Brussels-listed Fortis for the nine months are seen rising by between 15 per cent and 20.2 per cent to up to BFr9.992bn from BFr8.313bn or BFr230 per share a year earlier.

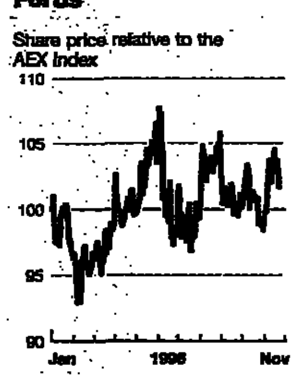
Mr Bart van der Feen de Lille, IRIS analyst, expected year-on-year profit growth to be spread about evenly between the insurance and banking businesses, where he forecast earnings to rise by 17 per cent and 16 per cent respectively.

Insurance earnings growth would be driven mainly by a 16 per cent rise in life results, which accounted for more than half of Fortis' operational profit from insurance in the first half, and by strong growth in realised capital gains thanks to the favourable climate on the financial markets during the reporting period. Slightly lower results from accident and health insurance would be offset by a rise in other non-life business, Mr Van der Feen said.

ABN Amro Hoare Govett's analysts said general insurance should continue its upward trend as a result of better market conditions, especially in the Netherlands, while returns from accident and health results were expected to be modest. They noted that since the third quarter of last year, accident and health results had been affected by disappointing results in the US.

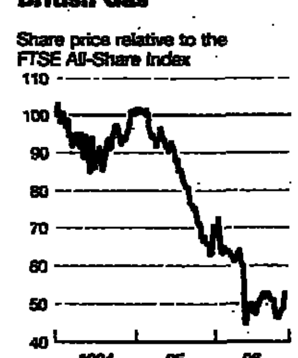
AFX News, Amsterdam

Fortis



Source: Datastream

British Gas



Source: Datastream

■ **Nedlloyd**, the Netherlands-based transport group, is expected on Wednesday to report net profit before exceptionals of between Fl 26m and Fl 28m, or between Fl 1.15 and Fl 1.24 per share, up from Fl 23m a year earlier. Nedlloyd's results for the 1995 third-quarter included non-recurring income of Fl 35m in book profits on the sale of vessels and an extraordinary charge of Fl 5m, which together put net profit at Fl 53m or Fl 2.35 per share.

Mr Richard Brakenhoff, analyst at Bank MeesPierson, expects the results to include a book profit of Fl 20m from the sale of Nedlloyd's 50 per cent stake in North Sea Ferries to P&O of the UK, boosting net profit at Fl 47m or Fl 2.07 per share. Mr Thibaud de Guerre, ING Barings analyst expected Nedlloyd's ocean shipping division to show an operating profit of Fl 15m, compared with a Fl 9m loss a year earlier.

"Tariff erosion has slowed down somewhat, and the worldwide capacity situation has stabilised. There is still enormous overcapacity on the Pacific routes, but very little on the North Atlantic routes, where rates have even improved," he said, adding that capacity and tariffs on the Europe-Asia routes had mostly stabilised.

Mr Hendrik Jan Boer, IRIS analyst, expected full-year extraordinary items to total Fl 93m, with the first-half gain of Fl 273m and the expected Fl 20m fourth-quarter gain from the North Sea Ferries disposal partially offset by Fl 200m in write-offs on ships transferred to the container joint venture with P&O, which will begin its operations next year.

AFX News, Amsterdam

■ **Ahold**, the Netherlands-based retailer, is expected to report on Wednesday strong third-quarter net profit growth from Fl 101.6m a year ago to between Fl 166 and Fl 170m, with its US Stop & Shop acquisition the big factor lifting earnings, according to analysts.

In the first half, Ahold reported net profit up 16.9 per cent at Fl 259.7m and forecast higher 1996 earnings excluding Stop & Shop, which it said would significantly increase net and operating profit and sales in the full year. Ahold also said full year EPS would still be higher after the acquisition.

Mr Cees van der Hoeven, chairman also said in June at the time of the share issue that he expected EPS to grow by 15 per cent annually from 1997 after the acquisition.

Mr Dennis Jullens of ING Barings Research expected net profit of Fl 166.6m before preference dividend payments, with Stop & Shop contributing an estimated $65m (£38.4m) to operating profit for the quarter. He put EPS at Fl 1.01, noting that EPS estimates might vary according to the projected share base used after Ahold's July issue of 39.3m new shares. Ahold last year reported third quarter EPS of Fl 0.82.

Mr Paul Schram of Bangert, Pontier expected US operating profit to more than double thanks to the Stop & Shop acquisition.

AFX News, Amsterdam

■ **British Gas** reports its third-quarter results on Thursday and is expected to turn in a net loss of £130m ($220m), slightly less than last year. Analysts are not expecting to hear much from the company following its recent appeal to the Monopolies and Mergers Commission. There may, however, be a few further details on the group's de-merger plans.

INTERNATIONAL EQUITIES By Peter Wise in Lisbon

Portugal stays a firm favourite

Are international investors growing tired of Portugal after three global offers in six months? To judge by the early response to an initial public offering of Telecel, the country's dominant mobile phone operator, the answer is a resounding "no".

Analysts say demand for the offering of 35.6 per cent of Telecel, which closes on December 6, is "exceptionally strong" and are confident Portugal's biggest private-sector IPO to date will be even more successful than the record-setting privatisations of Portugal Telecom and Cimpor, the cement group, earlier this year.

Telecel has an impressive track record. A London-based analyst describes the company as "probably the best growth story in Portugal," forecasting 40 per cent earnings growth by 2000.

The selling shareholders are Espirito Santo, the Portuguese financial group and Amorim, the cork company, grouped together in Telepri, the holding company, reducing their holding to 5-10 per cent. AirTouch, the US cellular phone company, will increase its stake from about 39 to 51 per cent. Lehman Brothers, SBC Warburg and Portugal's Banco Essi are global co-ordinators, with Schroders and Salomon Brothers as co-leads. Two-thirds of the offering is expected to go to international investors. Telecel will become one of Lisbon's top 10 companies in terms of market capitalisation. The shares are also to be traded in London and in the US.

The price range of Es6,900 to Es8,100 values the company at between Es148.2bn (£596m) and Es173.9bn. Both Telepri and AirTouch will be represented at the price fixing on December 9, which analysts expect to be towards the higher end of the range.

A relatively high share price could deter some domestic retail investors. But in international terms analysts consider the company has been fairly valued, in line with Vodaphone, the largest UK mobile operator, and Telecom Italia Mobile, the Italian mobile operator.

Telecel is valued approximately at a 1997 p/e ratio of 14.2 at the lower end of the price range, and 16.7 at the upper limit, on a 1997 earnings per share forecast of Es485, up from an estimated Es324 this year, according to a Lisbon analyst. The average 1997 multiple for the Lisbon market is about 15.

This range is seen as attractive for a profitable, company in a young market where there is only one other competitor; it compares favourably with the outlook for companies in the UK, where operators are fighting for market share.

The other Portuguese operator is TMN, part of Portugal Telecom, which accounts for 48.2 per cent of the country's cellular phone subscribers. Although TMN has narrowed the gap in terms of total subscribers, Telecel remains better positioned at the business end of the market with a high average revenue per user of $110 a month and a 60 per cent share of the sector's total revenue.

Portugal is expected to award a third mobile phone licence in 1998. This will affect prices but also stimulate the market. Only 5 per cent of potential Portuguese users are mobile phone subscribers. The level is forecast to grow to about 15 per cent by 2000.

Telecel, which currently has almost 268,000 GSM subscribers, would then have about 680,000 and 47 per cent of the market, according to analysts. As Mr António Carrapatoso, Telecel's chief executive, has said: "Mobile phones will eventually become as common as wristwatches."

FT/S&P ACTUARIES WORLD INDICES

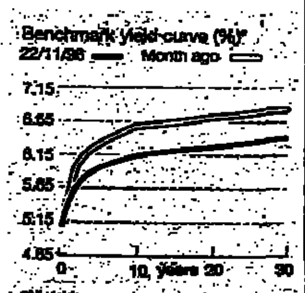
The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

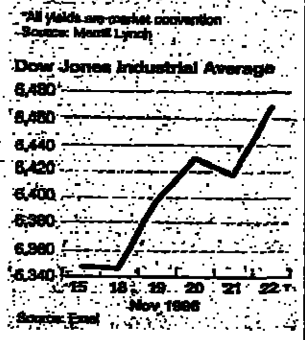
NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 22 1996								THURSDAY NOVEMBER 21 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (78)	222.26	17.0	196.01	156.28	173.60	182.07	7.2	4.19	222.43	195.16	156.52	173.34	182.50	222.43	183.80	184.39
Austria (24)	186.76	7.0	164.71	131.32	145.88	145.82	12.3	1.96	185.40	162.66	130.46	144.48	144.41	195.04	169.36	173.63
Belgium (27)	228.80	9.4	201.76	160.86	178.69	174.74	15.1	3.82	229.07	200.98	161.19	178.51	174.53	229.11	197.59	200.35
Brazil (28)	181.15	31.3	159.75	127.36	141.49	343.65	39.3	1.78	180.19	158.09	126.79	140.42	341.88	189.70	131.21	132.84
Canada (116)	193.97	30.7	171.05	136.38	151.50	188.10	28.3	1.82	193.84	170.08	136.40	151.06	188.06	194.69	144.38	147.91
Denmark (30)	340.20	17.8	300.00	239.18	265.70	266.95	22.6	1.73	340.35	298.62	239.49	265.24	266.61	340.41	276.89	281.42
Finland (24)	240.85	28.8	212.39	169.33	188.11	229.24	34.5	2.19	239.36	210.01	168.43	186.54	227.28	240.85	171.73	210.45
France (93)	212.41	18.4	187.32	149.34	165.90	168.70	23.3	2.68	211.37	185.46	148.74	164.73	168.44	212.41	167.70	181.23
Germany (59)	187.36	14.5	165.23	131.73	146.34	146.34	20.1	1.67	188.28	165.19	132.49	146.73	146.73	188.59	159.60	180.19
Hong Kong (59)	500.67	29.1	441.51	352.00	391.03	497.00	29.1	3.12	497.58	436.57	350.13	387.77	493.94	500.67	362.51	362.51
Indonesia (27)	223.05	-	196.69	156.82	174.20	320.87	-	1.60	219.17	192.30	154.22	170.80	314.69	-	-	-
Ireland (16)	318.70	24.7	281.04	224.07	248.91	266.70	18.7	3.42	318.35	279.32	224.01	248.09	265.28	319.32	249.80	258.66
Italy (58)	84.14	14.2	74.19	59.15	65.71	94.29	8.0	2.20	83.59	73.34	58.82	65.14	93.49	84.53	67.22	70.25
Japan (480)	143.36	-7.5	126.42	100.79	111.97	100.79	-0.2	0.78	142.95	125.42	100.59	111.40	100.59	164.68	137.62	144.76
Malaysia (107)	600.31	23.7	529.37	422.05	468.85	582.27	22.7	1.08	593.28	520.54	417.47	462.35	575.82	600.31	445.00	451.49
Mexico (27)	1189.75	14.9	1049.17	836.48	929.23	10238.07	17.3	1.08	1194.44	1047.99	840.49	930.84	10317.57	1325.65	936.49	936.81
Netherland (19)	327.54	20.1	288.84	230.28	255.81	252.00	26.3	2.93	324.28	284.52	228.18	252.71	248.87	327.54	261.26	261.99
New Zealand (15)	92.94	16.7	81.95	65.34	72.59	69.04	6.7	3.99	93.22	81.79	65.60	72.65	69.48	94.35	75.94	78.57
Norway (35)	283.54	22.6	250.04	199.35	221.45	243.83	22.9	2.07	281.89	247.33	198.36	219.68	241.75	283.54	222.24	230.12
Philippines (22)	195.73	-	172.60	137.61	152.87	256.29	-	0.62	195.94	171.92	137.88	152.70	256.43	-	-	-
Singapore (43)	418.11	2.7	368.71	293.96	326.55	269.81	1.6	1.00	416.73	365.64	293.24	324.76	269.07	465.21	371.28	373.87
South Africa (44)	325.82	-15.4	287.32	229.07	254.47	328.30	6.9	2.38	328.41	288.15	231.09	255.93	330.95	437.76	314.20	373.75
Spain (37)	198.95	20.4	175.44	139.88	155.39	190.55	25.5	3.14	198.01	173.73	139.33	154.31	189.10	198.95	157.68	157.98
Sweden (48)	415.66	33.2	366.54	292.24	324.64	407.22	33.0	2.09	409.01	358.86	287.81	318.75	400.63	415.66	294.19	318.98
Switzerland (37)	249.95	5.9	220.42	175.73	195.22	196.32	16.6	1.51	248.73	218.24	175.02	193.84	195.33	254.34	219.29	230.19
Thailand (45)	122.44	-27.2	107.97	86.08	95.63	120.78	-26.6	2.84	119.55	104.89	84.12	93.17	117.95	193.95	112.17	153.93
United Kingdom (213)	271.47	17.8	239.40	190.86	212.03	239.40	8.7	3.98	268.89	235.92	189.21	209.55	235.92	271.47	222.43	228.33
USA (624)	304.25	21.1	268.30	213.90	237.62	304.25	21.1	1.97	301.91	264.89	212.44	235.28	301.91	304.25	243.34	245.26
Americas (795)	278.35	21.6	245.46	195.70	217.40	233.94	21.5	1.96	276.34	242.46	194.45	215.35	232.26	278.35	222.53	223.52
Europe (720)	234.56	16.8	206.85	164.91	183.20	197.88	16.5	2.92	233.14	204.55	164.05	181.69	196.08	234.56	194.31	198.08
Nordic (137)	355.21	26.8	313.23	249.73	277.42	304.40	30.2	2.05	351.26	308.19	247.17	273.74	300.71	355.21	261.13	282.52
Pacific Basin (876)	160.96	-2.6	141.94	113.17	125.72	114.62	2.8	1.22	160.41	140.75	112.88	125.01	114.32	177.01	153.87	154.66
Euro-Pacific (1596)	191.51	6.4	168.88	134.65	149.58	148.00	9.3	2.09	190.80	167.23	134.12	148.53	145.13	191.61	172.18	172.68
North America (740)	297.69	21.6	262.51	209.30	232.50	296.63	21.4	1.97	295.51	259.28	207.94	230.29	294.46	297.69	237.55	239.24
Europe Ex. UK (507)	209.70	16.2	184.92	147.43	163.78	172.62	21.1	2.31	208.85	183.24	146.96	162.76	171.58	209.70	174.81	177.50
Pacific Ex. Japan (396)	314.64	18.9	277.46	221.21	245.74	269.64	15.7	2.77	312.94	274.57	220.21	243.88	268.36	314.64	248.67	249.65
World Ex. US (1811)	193.47	7.0	170.61	136.03	151.11	151.32	10.2	2.09	192.63	169.02	135.55	150.12	150.50	193.47	173.24	173.69
World Ex. UK (2222)	224.11	12.3	197.63	157.57	175.04	190.72	15.4	1.82	222.90	195.57	156.85	173.71	189.67	224.11	192.43	192.49
World Ex. Japan (1955)	273.01	19.2	240.75	191.94	213.23	256.38	19.3	2.34	271.23	237.97	190.85	211.37	253.47	273.01	233.64	233.99
The World Index (2435)	228.18	12.8	201.22	160.43	178.22	195.24	14.8	2.03	226.86	199.04	159.63	176.79	193.99	228.18	195.52	195.62

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 148.84 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.33 (Pound Sterling) and 194.40 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 22/11/96: Addition: Deutsche Telekom (Large Cap) (Germany) (Share weighting 22.8%). Name change: Melville Corp to CVS (USA).

MARKETS: This Week

NEW YORK By Richard Tomkins





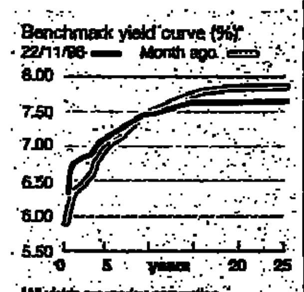
Stocks had another rollicking time in the US last week, with the Dow Jones Industrial Average rising 55.29 points to another record high of 6,471.76 on Friday – a gain of nearly 2 per cent on the week. Bonds, too, extended their gains, bringing down the yield on the benchmark 30-year long bond from 6.46 per cent at the beginning of the week to 6.44 per cent by the end of it.

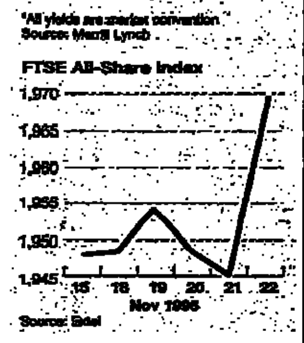
The market advances appear to be driven by a belief that the Federal Reserve has contrived to get the economy growing at a pace that is just right. A few weeks ago, investors were afraid that the economy was growing so fast that an increase in interest rates would be needed to slow down the pace. Now, there has been a metamorphosis: if anything, investors seem to think the greater risk is that a slowing economy will lead the Fed to cut interest rates rather than increase them.

The coming week seems unlikely to alter that perception, if only because it marks the beginning of the holiday season. The markets will be closed on Thursday for Thanksgiving, and trading is also likely to be thin on other days: bonds will trade only until lunchtime on Wednesday and Friday, and the stock market will close at 1pm on Friday.

Even so, there will be some statistics to guide investor sentiment. Among them will be the figures for existing home sales in October, due today, and the October durable goods orders, due on Wednesday. The former are expected to be up and the latter down, but analysts do not expect the figures to be so significant as to affect stock or bond prices much either way.

LONDON By Philip Coggan





A renewed burst of optimism caught marketmakers by surprise on Friday, and the FTSE 100 index was squeezed 64.9 points higher to 4,018.7.

The market will face an early test of one of the reasons for the surge – hopes of a big bid first thing this morning. In recent weeks, there have been plenty of takeover rumours but few substantial deals.

The second test will come tomorrow when the main event of the week, the last Budget before the general election, will be unveiled.

The markets appeared to be changing their tune late last week, with investors deciding that the chancellor will prefer prudence to a giveaway package, thereby avoiding the need for large rises in interest rates.

Gilts, which were cheered by some better than expected figures on public finances this week, will provide the chancellor with his sternest test.

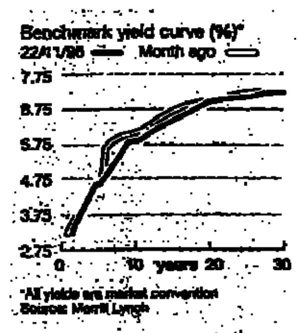
Voters might be deceived by fiscal smoke and mirrors but bond buyers will want to see evidence that the fiscal deficit is set to decline in the medium term.

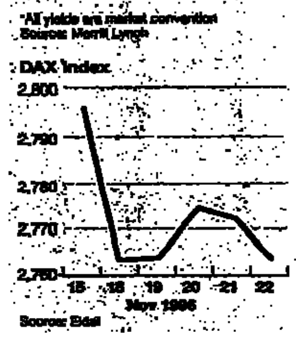
The hope is that the fiscal boost will be limited to £2bn –£2.5bn.

Equity investors will be hoping that the series of profits warnings which dogged the smaller company sector last week does not spread to the multinational stocks. Among FTSE 100 constituents to report are British Gas, National Grid, Royal Bank of Scotland and Tate & Lyle.

Investors may also be hoping that the Budget brings a halt to the recent rise in sterling, which has started to prompt analysts to shave their earnings forecasts for leading exporters.

FRANKFURT By Wolfgang Münchau





The successful flotation of Deutsche Telekom was the high point this year for the Frankfurt stock exchange, which has managed to digest the largest share sale in European history – and the second-largest in the world – with little difficulty.

During the week about 500m Telekom shares were traded, worth around DM16bn. This is more than 80 per cent of the 600m shares issued, excluding the greenshoe over-allotment facility, and suggests a lot of investors took profits and sold the shares on the first or second day after the issue.

Most of the buyers were funds that did not receive their desired allocation of shares. Among sellers were many private investors, unable to resist the temptation of an instant profit after the shares opened 19 per cent higher, at DM33.20, on Monday against the DM28.50 issue price.

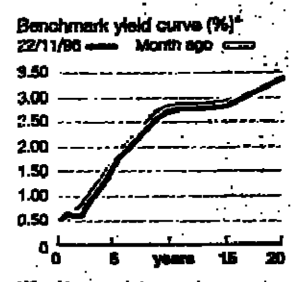
On Tuesday the shares fell 5 per cent to around DM32, and have since traded around this level with relatively little volatility.

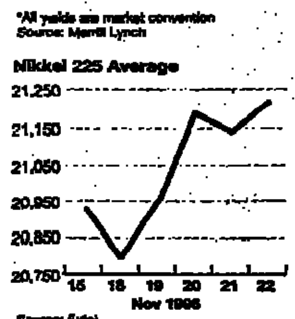
There were fears that an issue of such size would drain the rest of the market, but these fears proved unfounded as the market survived the shares sale without even a minor shock.

The long-run effects are likely to be the most significant. The flotation has greatly increased the number of private shareholders. It has also increased the size of the stock market, and the signs are that this is just the beginning of a trend.

Germany may not yet be a nation of shareholders, but is clearly on the way. Frankfurt will also become an increasingly mature market, more closely reflecting the economic weight of the country.

TOKYO By Gwen Robinson





Markets are awaiting Wednesday's release of the Bank of Japan's *tankan*, a quarterly survey of business sentiment regarded as a vital pointer on monetary policy.

The unexpectedly weak tankan in August put an end to any suggestion that the BoJ was considering raising interest rates from their current post-war low.

Most economists believe the November tankan will show improved corporate perceptions of business conditions, particularly in the large manufacturing sector. Industrial production data for October, due out the following day, are expected to show a monthly increase of 4 per cent, while unemployment figures to be released on Friday are expected to remain stable.

Although the tankan's main indicator is expected to rise significantly from August's minus 7, it is unlikely to show sufficient strength for the BoJ to raise interest rates. The central bank hinted at such an outcome in its report on monetary and economic trends, released last Friday, which repeated the evaluation of a "continuing modest economic recovery". However, the report cautioned that weak aspects remain in the overall economic outlook.

Even mildly positive tankan results will help increase investor confidence, said Mr Hideaki Akimoto, chief strategist at Daiwa Institute of Research. Equity prices are currently trapped between the opposing forces of a positive macroeconomy and a negative microeconomy, where corporate earnings gains seem too dependent on the weaker yen than restructuring, Merrill Lynch noted in a weekly report.

COMMODITIES By Maggie Urry

Concern over sugar quotas

The outlook for European sugar, sweeteners and starch will be discussed at a two-day conference in London on Thursday and Friday this week.

An important theme throughout the conference will be the uncertainties thrown up by recent reforms to the Common Agricultural Policy and further changes probable in the next few years.

Of particular interest will be an address by Mr Ejner Stendevad, head of the sugar division of the European Commission's DG6.

The reforms agreed in April last year for the sugar regime were less onerous than for many other agricultural sectors. However, the requirements of GATT and the effect of the expected enlargement of the EU when eastern European countries join are likely to require further changes to quotas.

The cereals sector suffered more radical reforms and the GATT agreement is also having an impact. Manufacturers are looking for new sources of sweeteners not covered by production quotas.

Reform of CAP widened the differential between sugar and cereal prices, affecting the relative prices that industrial users pay for sugar and starch. That has implications for the food manufacturers' recipes.

Cereals have also been affected by the Commission's proposals to offset the cost of the BSE crisis to livestock farmers.

The conference, the fifth of its kind, is being run by Agra Europe, the publishing and market analysis group.

Other speakers include Ms Patricia Jamieson, Tate & Lyle's divisional director for raw sugar and EU affairs, who will give an industry view of the cane sugar regime; and Mr Helmut Ahlfeld, managing director of F. O. Licht, the trading group, who will analyse the world sugar outlook.

Suggestions for non-food uses for sugar, starch and set-aside products will be made by Mr John Allen, purchasing manager at Synpac Pharmaceuticals.

OTHER MARKETS Compiled by Jeffrey Brown

This week's shutdown in the US for Thanksgiving is usually a signal for subdued trading for leading European bourses, but there was no lack of excitement last Friday.

PARIS

The share market pushed to a new high on Friday after four days of relatively narrow trading. Most brokers expect a pause this week in spite of the potential for renewed outbreaks of takeover fever.

Last week's wild swings for a number of second line stocks, notably Moulinex, Club Med and Casino, stemmed directly from talk of imminent corporate activity. But a combination of union unrest and political tension kept a fairly tight rein on most leading shares.

In the event, the CAC 40 nudged higher on the week. There was concern among some French analysts on Friday that the upcoming long weekend for Wall Street could spark profit-taking among US traders.

Immediate corporate news centres on tomorrow's analysts meeting by Sanofi, and the press conference called for Wednesday by Crédit Local de France.

AMSTERDAM

Consolidation was the key word for Dutch equities until the market hit a new all-time high on Friday.

ABN Amro's big US deal sparked takeover talk, and solid fundamental supports were also in the pipeline. This week's consumer confidence data is expected to provide good news: and among this week's three big results, at least two are predicted to be visibly upbeat.

Strong nine-month numbers are expected from Ahold and Fortis Amev on Wednesday and Thursday respectively. In contrast, some brokers are looking for a 45 per cent setback when transport giant Nedlloyd announces third-quarter earnings on Wednesday.

ZURICH

News conferences tomorrow by SBC and UBS are likely to bring the Swiss banking sector into sharp focus. Bank shares, faced by tough trading conditions, have been worthy rather than exciting performers this year, and this week will help to underline the reasons.

Both banks are expected to supply detail on planned cost cuts. Earlier this year SBC announced a radical shake-up, involving an end to 1,700 jobs, while CS Holding plans to cut 1,500 from its worldwide workforce.

Costs are likely to be central to the statement from UBS, but the bank is understood to be concentrating more on streamlining.

HONG KONG

The Hong Kong stock market is braced for another firm week with the property sector in the limelight, *writes Louise Lucas in Hong Kong*.

Last Thursday's sale of a landmark building for HK$3.64bn galvanised property stocks, and prompted predictions of an upwards revision of sector net asset values. However, profit-taking could chip away at stock prices elsewhere. The benchmark Hang Seng Index has passed a string of record highs in the past month.

While this has prompted some brokers to revert to neutral Hong Kong weightings, Jardine Fleming Securities is maintaining its bullish overweight stance.

Trading will be spiced towards the end of this week by the expiry of the November futures contracts.

STOCKHOLM

Flanked by Oslo and Helsinki, the Swedish stock market recorded new highs last week as the third-quarter results season came to an end. Numbers from the sector have been mixed. However, the krona has fallen in foreign exchanges, and analysts see potential for earnings upgrades.

CURRENCIES By Simon Kuper

UK Budget to be centre of traders' attention

By Simon Kuper

Tuesday's UK Budget will be the most watched event in the currency markets this week, but its effect on the pound is hard to predict.

City economists expect Mr Kenneth Clarke to produce a cautious budget that offers just 1p off the standard rate of income tax and aims to control public spending and the government deficit.

That would probably provide an initial boost to the pound, which has risen 10 per cent on a trade-weighted basis since August. Last Thursday, sterling hit its highest level since the week it was forced out of the European exchange rate mechanism in September 1992.

However, one reason why the currency has been so strong is that the markets expect UK interest rates to rise soon – short sterling futures contracts are pricing in a base rate rise of at least 25 basis points next month. If Mr Clarke unveils a tight budget, the need for a rate rise will diminish, and that could soon hit the pound.

The other big piece of news awaited by traders is the Japanese quarterly *tankan* survey of business conditions, due out on Wednesday.

The survey, a key influence on Japan's monetary policy, is expected to show another fall in confidence following the pessimistic August report. But with a weak *tankan* already largely priced into the market, any unforeseen strength could boost the yen.

US data this week are expected to be mixed. Economists say strong consumer confidence and consumption reports are likely to be offset by a downward revision to third-quarter gross domestic product.

Today the lira will be centre of attention on the currency markets, as Italy rejoins the European exchange rate mechanism from which it was ejected with the UK in 1992. Speculative attacks on the currency are far less likely this time around.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Glaxo Wellcome (UK)	Nippon Glaxo (Japan)	Pharmaceuticals	$608m	Buy-out partner
Investor consortium (Chile/Portugal/Spain)	Serj (Brazil)	Power	$587m	Winning bid
Allied Colloids (UK)	CPS (US)	Specialty chemicals	$390m	Counters sector focus trend
Chubb Security (UK)	Units of James Hardie (Australia)	Fire protection and security	$175m	Hardie disposals continue
Goodyear (US)	Contred (SA)	Tyre maker	$121m	SA buy-back
Chiroscience (UK)	Darwin Molecular (US)	Biotechnology	$120m	Drug development move
Ingwe Coal Corp (SA)	CMAL (Australia)	Mining	$67.5m	Buy from AMP
Azlan (UK)	Akam International (N'lands)	Training services	$50m	Continues rapid growth
EMI Group (UK)	Priority Records (US)	Music	$51m	Rap 50% stake

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, November 22, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7985.48	4750.00	3161.82	4270.82
Albania	(Lek)	170.973	101.700	67.6982	91.4388
Algeria	(Dinar)	94.9850	56.5000	37.6080	50.7979
Andorra	(French Fr)	8.5620	5.0930	3.3902	4.5790
	(Sp Peseta)	212.539	126.426	84.1571	113.666
Angola	(Readj Kwanza)(1)	359525.6	213857.0	142359.1	192274.2
Antigua	(E Carib $)	4.5391	2.7000	1.7973	2.4275
Argentina	(Peso)	1.6804	0.9995	0.6653	0.8986
Armenia	(Dram)	707.798o	421.020	280.250	378.530
Aruba	(Florin)	3.0093	1.7900	1.1915	1.6094
Australia	(Aus $)	2.0703	1.2315	0.8197	1.1072
Austria	(Schilling)	17.7738	10.5723	7.0376	9.5053
Azerbaijan	(Manat)	7111.26o	4230.00	2815.68	3803.10
Azores	(Port Escudo)	255.215	151.810	101.055	136.488
Bahamas	(Bahama $)	1.6812	1	0.6657	0.8991
Bahrain	(Dinar)	0.6343	0.3773	0.2511	0.3392
Balearic Is	(Sp Peseta)	212.539	126.425	84.1571	113.666
Bangladesh	(Taka)	71.3649	42.4500	28.2576	38.1659
Barbados	(Barb $)	3.3813	2.0113	1.3388	1.8083
Belarus	(Rouble)	38481.5o	22890.0	15236.6	20579.9
Belgium	(Belg Fr)	52.0661	30.9705	20.6161	27.8449
Belize	(B $)	3.3623	2.0000	1.3313	1.7982
Benin	(CFA Fr)	856.200	509.300	339.022	457.896
Bermuda	(Bermudian $)	1.6812	1	0.6657	0.8991
Bhutan	(Ngultrum)	60.0171	35.7000	23.7644	32.0971
Bolivia	(Boliviano)	8.7252	5.1900	3.4548	4.6662
Botswana	(Pula)	6.0153	3.5778	2.3816	3.2167
Brazil	(Real)	1.7326	1.0306	0.6860	0.9266
Brunei	(Brunei $)	2.3541	1.4003	0.9321	1.2590
Bulgaria	(Lev)	527.041	313.500	208.690	281.861
Burkino Faso	(CFA Fr)	856.200	509.300	339.022	457.896
Burma	(Kyat)	9.8373	5.8515	3.8950	5.2610
Burundi	(Burundi Fr)	363.993	216.514	144.122	194.663
Cambodia	(Riel)	3866.64	2300.00	1530.99	2067.88
Cameroon	(CFA Fr)	856.200	509.300	339.022	457.896
Canada	(Canadian $)	2.2514	1.3392	0.8914	1.2040
Canary Is	(Sp Peseta)	212.539	126.425	84.1571	113.666
Cp. Verde	(CV Escudo)	139.485	82.9700	55.2287	74.5965
Cayman Is	(CI $)	1.3923	0.8282	0.5513	0.7446
Cent. Afr. Rep	(CFA Fr)	856.200	509.300	339.022	457.896
Chad	(CFA Fr)	856.200	509.300	339.022	457.896
Chile	(Chilean Peso)	707.344	420.750	280.080	378.287
China	(Yuan)	13.9564	8.3017	5.5262	7.4639
Colombia	(Col Peso)	1672.37	994.775	662.190	894.381
Comoros	(Fr)	641.527	381.600	254.011	343.088
Congo	(CFA Fr)	856.200	509.300	339.022	457.896
Costa Rica	(Colon)	365.568	217.450	144.745	195.505
Côte d'Ivoire	(CFA Fr)	856.200	509.300	339.022	457.896
Croatia	(Kuna)	8.9853	5.3447	3.5577	4.8053
Cuba	(Cuban Peso)(4)	39.6230	1	13.3129	17.9816
Cyprus	(Cyprus £)	0.7681	0.4569	0.3041	0.4108
Czech Rep.	(Koruna)	44.7321	26.6080	17.7121	23.9227
Denmark	(Danish Krone)	9.6993	5.7694	3.8405	5.1871
Djibouti Rep	(Djib Fr)	268.994	160.000	106.503	143.853
Dominica	(E Carib $)	4.5391	2.7000	1.7973	2.4275
Dominican Rep	(D Peso)	23.1663	13.7800	9.1726	12.3895
Ecuador	(Sucre)	5726.84o	3406.50	2267.52	3062.71
	(Sucre)	5715.07a	3399.50	2262.85	3056.42
Egypt	(Egyptian £)	5.7138	3.3988	2.2624	3.0558
El Salvador	(Colon)	14.7101	8.7500	5.8244	7.8669
Equat'l Guinea	(CFA Fr)	856.200	509.300	339.022	457.896
Estonia	(Kroon)	20.2054	12.0188	8.0003	10.8059
Ethiopia	(Ethiopian Birr)	10.4549	6.2189	4.1396	5.5913
Falkland Is	(Falk £)	1	0.5948	0.3960	0.5348
Faroe Is	(Danish Krone)	9.6993	5.7694	3.8405	5.1871
Fiji Is	(Fiji $)	2.2967	1.3661	0.9094	1.2289
Finland	(Markka)	7.6245	4.5353	3.0190	4.0775
France	(Fr)	8.5620	5.0930	3.3902	4.5790
Fr. Cty/Africa	(CFA Fr)	856.200	509.300	339.022	457.896
Fr. Guiana	(Local Fr)	8.5620	5.0930	3.3902	4.5790
Fr. Pacific Is	(CFP Fr)	155.522	92.5090	61.5783	83.1729
Gabon	(CFA Fr)	856.200	509.300	339.022	457.896
Gambia	(Dalasi)	16.6085	9.8793	6.5741	8.8795
Germany	(D-Mark)	2.5265	1.5023	1	1.3506
Ghana	(Cedi)	2888.02	1718.10	1142.32	1542.91
Gibraltar	(Gib £)	1	0.5948	0.3960	0.5348
Greece	(Drachma)	398.458	237.015	157.773	213.095
Greenland	(Danish Krone)	9.6993	5.7694	3.8405	5.1871
Grenada	(E Carib $)	4.5391	2.7000	1.7973	2.4275
Guadeloupe	(Local Fr)	8.5620	5.0930	3.3902	4.5790
Guam	(US $)	1.6812	1	0.6657	0.8991
Guatemala	(Quetzal)	10.0889	6.0012	3.9947	5.3956
Guinea	(Fr)	1681.15	1000.00	665.646	899.079
Guinea-Bissau	(Peso)	39369.2	23418.0	15588.1	21054.6
Guyana	(Guyanese $)	235.865	140.300	93.3901	126.141
Haiti	(Gourde)	25.6902	15.2813	10.1719	13.7391
Honduras	(Lempira)	21.1825	12.6000	8.3871	11.3284
Hong Kong	(HK $)	12.9987	7.7320	5.1469	6.9517
Hungary	(Forint)	261.461	155.525	103.526	139.829
Iceland	(Icelandic Krona)	110.805	65.9100	43.8727	59.2583
India	(Indian Rupee)	60.0171	35.7000	23.7644	32.0971
Indonesia	(Rupiah)	3942.30	2345.00	1560.99	2108.34
Iran	(Rial)	5043.45d	3000.00	1996.94	2697.24
Iraq	(Iraqi Dinar)	0.5227o	0.3109	0.2070	0.2795
Iraq	(Iraqi Dinar)	2605.78m	1550.00	1031.75	1393.57
Irish Rep	(Punt)	0.9864	0.5939	0.3953	0.5340
Israel	(Shekel)	5.4652	3.2509	2.1640	2.9228
Italy	(Lira)	2522.60	1500.52	998.848	1349.08
Jamaica	(Jamaican $)	57.1591	34.0000	22.6320	30.5687
Japan	(Yen)	186.988	111.225	74.0389	100
Jordan	(Jordanian Dinar)	1.1932	0.7098	0.4725	0.6381
Kazakhstan	(Tenge)	120.298	71.5500	47.6270	64.3291
Kenya	(Kenya Shilling)	93.2114	55.4450	36.9067	49.8494
Kiribati	(Australian $)	2.0703	1.2315	0.8197	1.1072
Korea North	(Won)	3.6145	2.1500	1.4311	1.9330
Korea South	(Won)	1387.37	825.250	549.343	741.965
Kuwait	(Kuwaiti Dinar)	0.5014	0.2983	0.1985	0.2682
Laos	(New Kip)	1546.66	920.000	612.394	827.152
Latvia	(Lats)	0.9133	0.5433	0.3616	0.4884
Lebanon	(Lebanese £)	2613.77	1554.75	1034.95	1397.84
Lesotho	(Maluti)	7.7501	4.6100	3.0687	4.1448
Liberia	(Liberian $)	1.6812	1	0.6657	0.8991
Libya	(Libyan Dinar)	0.5977	0.3555	0.2366	0.3196
Liechtenstein	(Swiss Fr)	2.1299	1.2669	0.8433	1.1390
Lithuania	(Litas)	6.7253	4.0004	2.6629	3.5967
Luxembourg	(Lux Fr)	52.0661	30.9705	20.6161	27.8449
Macao	(Pataca)	13.4277	7.9872	5.3167	7.1811
Macedonia	(Denar)	67.1423	39.9383	26.5848	35.9077
Madagascar	(MG Fr)	6640.54	3950.00	2629.30	3551.36
Madeira	(Port Escudo)	255.215	151.810	101.055	136.489
Malawi	(Kwacha)	25.7698	15.3250	10.2010	13.7784
Malaysia	(Ringgit)	4.2340	2.5185	1.6765	2.2643
Maldive Is	(Rufiya)	19.7871	11.7700	7.8347	10.5822
Mali Rep	(CFA Fr)	856.200	509.300	339.022	457.896
Malta	(Maltese Lira)	0.6000	0.3569	0.2376	0.3209
Martinique		[illegible]	[illegible]	[illegible]	[illegible]
Mauritania		[illegible]	[illegible]	[illegible]	[illegible]
Mauritius		[illegible]	[illegible]	[illegible]	[illegible]
Mexico		[illegible]	[illegible]	[illegible]	[illegible]
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Montserrat		[illegible]	[illegible]	[illegible]	[illegible]
Morocco		[illegible]	[illegible]	[illegible]	[illegible]
Mozambique		[illegible]	[illegible]	[illegible]	[illegible]
Namibia		[illegible]	[illegible]	[illegible]	[illegible]
Nauru Is		[illegible]	[illegible]	[illegible]	[illegible]
Nepal		[illegible]	[illegible]	[illegible]	[illegible]
Netherlands		[illegible]	[illegible]	[illegible]	[illegible]
N'nd Antilles		[illegible]	[illegible]	[illegible]	[illegible]
New Zealand		[illegible]	[illegible]	[illegible]	[illegible]
Nicaragua		[illegible]	[illegible]	[illegible]	[illegible]
Niger Rep		[illegible]	[illegible]	[illegible]	[illegible]
Nigeria		[illegible]	[illegible]	[illegible]	[illegible]
Norway		[illegible]	[illegible]	[illegible]	[illegible]
Oman		[illegible]	[illegible]	[illegible]	[illegible]
Pakistan	(Pak. Rupee)(3)	[illegible]	[illegible]	[illegible]	[illegible]
Panama	(Balboa)	[illegible]	[illegible]	[illegible]	[illegible]
Papua New Guinea	(Kina)	[illegible]	[illegible]	[illegible]	[illegible]
Paraguay	(Guarani)	[illegible]	[illegible]	[illegible]	[illegible]
Peru	(New Sol)	[illegible]	[illegible]	[illegible]	[illegible]
Philippines	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]
Pitcairn Is	(£ Sterling)	[illegible]	[illegible]	[illegible]	[illegible]
	(NZ $)	[illegible]	[illegible]	[illegible]	[illegible]
Poland	(Zloty)	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	(Escudo)	[illegible]	[illegible]	[illegible]	[illegible]
Puerto Rico	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Qatar	(Riyal)	[illegible]	[illegible]	[illegible]	[illegible]
Reunion Is. de la	(F Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Romania	(Leu)	[illegible]	[illegible]	[illegible]	[illegible]
Russia	(Rouble)	[illegible]	[illegible]	[illegible]	[illegible]
Rwanda	(Fr)	[illegible]	[illegible]	[illegible]	[illegible]
St Christopher	(E Carib $)	[illegible]	[illegible]	[illegible]	[illegible]
St Helena	(£)	[illegible]	[illegible]	[illegible]	[illegible]
St Lucia	(E Carib $)	[illegible]	[illegible]	[illegible]	[illegible]
St Pierre	(French Fr)	[illegible]	[illegible]	[illegible]	[illegible]
St Vincent	(E Carib $)	[illegible]	[illegible]	[illegible]	[illegible]
San Marino	(Italian Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Sao Tome	(Dobra)	[illegible]	[illegible]	[illegible]	[illegible]
Saudi Arabia	(Riyal)	[illegible]	[illegible]	[illegible]	[illegible]
Senegal	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Seychelles	(Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Sierra Leone	(Leone)	[illegible]	[illegible]	[illegible]	[illegible]
Singapore	($)	[illegible]	[illegible]	[illegible]	[illegible]
Slovakia	(Koruna)	[illegible]	[illegible]	[illegible]	[illegible]
Slovenia	(Tolar)	[illegible]	[illegible]	[illegible]	[illegible]
Solomon Is	($)	[illegible]	[illegible]	[illegible]	[illegible]
Somali Rep	(Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
South Africa	(Rand)	[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Peseta)	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Ports in N Africa	(Sp Peseta)	[illegible]	[illegible]	[illegible]	[illegible]
Sri Lanka	(Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Sudan Rep	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Surinam	(Guilder)	[illegible]	[illegible]	[illegible]	[illegible]
Swaziland	(Lilangeni)	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(Krona)	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	(Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Syria	(£)	[illegible]	[illegible]	[illegible]	[illegible]
Taiwan	($)	[illegible]	[illegible]	[illegible]	[illegible]
Tanzania	(Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
Thailand	(Baht)	[illegible]	[illegible]	[illegible]	[illegible]
Togo Rep	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Tonga Is	(Pa'anga)	[illegible]	[illegible]	[illegible]	[illegible]
Trinidad/Tobago	($)	[illegible]	[illegible]	[illegible]	[illegible]
Tunisia	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Turkey	(Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Turks & Caicos	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Tuvalu		[illegible]	[illegible]	[illegible]	[illegible]
Uganda	(New Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
Ukraine		[illegible]	[illegible]	[illegible]	[illegible]
UAE	(Dirham)	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom	(£)	[illegible]	[illegible]	[illegible]	[illegible]
United States	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Uruguay	(Peso Uruguayo)	[illegible]	[illegible]	[illegible]	[illegible]
Uzbekistan		[illegible]	[illegible]	[illegible]	[illegible]
Vanuatu	(Vatu)	[illegible]	[illegible]	[illegible]	[illegible]
Vatican	(Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Venezuela	(Bolivar)(2)	[illegible]	[illegible]	[illegible]	[illegible]
Vietnam	(Dong)	[illegible]	[illegible]	[illegible]	[illegible]
Virgin Is-British	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Virgin Is-US	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Western Samoa	(Tala)	[illegible]	[illegible]	[illegible]	[illegible]
Yemen	(Rial)	[illegible]	[illegible]	[illegible]	[illegible]
Yugoslavia	(New Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Zaire Rep	(Zaire)	[illegible]	[illegible]	[illegible]	[illegible]
Zambia	(Kwacha)	[illegible]	[illegible]	[illegible]	[illegible]
Zimbabwe	($)	[illegible]	[illegible]	[illegible]	[illegible]
ECU		[illegible]	[illegible]	[illegible]	[illegible]
SDR		[illegible]	[illegible]	[illegible]	[illegible]

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Commercial rate ... (2) ... Venezuelan Bolivar 22/4/96 (3) Pakistan Rupee devalued by 7.86pb against US dollar 22/10/96 ... Department, London Trading Centre. Enquiries: 0171 634 4365.

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EMERGING MARKETS By Peter Montagnon

Thailand not out of the woods

Hong Kong and Thailand provide striking examples of two extremes in Asian equity markets this year. While Hong Kong has risen to new highs on the back of a buoyant trend in Wall Street, Thailand has had a depressing time, culminating in a 6 per cent slide last Monday on disappointment at the latest election results.

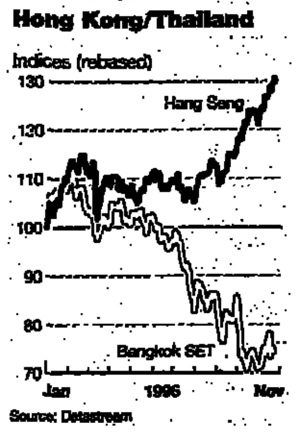
With the market having stabilised since, investors might be tempted to begin scanning brokers' circulars to see if they are starting to recommend taking profits in Hong Kong and a switch into Bangkok as it prepares for a bounce. But those that do will have to look hard.

The consensus among regional strategists is that such talk would be premature. Hong Kong may have further to rise, while Bangkok and some of the other regional markets, which have been hit by the slowdown in export growth and worries about high interest rates this year, will take time to recover.

Mr Neil Saker of Crosby Securities in Singapore says there may be some modest recovery in the Thai market in the near term which could take the index back over 1,000 points by early next year, from 970.30 on Friday.

Inflation has come down a long way, he says. The current account could begin to improve, and the possible appointment of the respected former banker Mr Amnuay Viravan as finance minister in the new government could be good for confidence.

Hong Kong/Thailand



Source: Datastream

But if the extremes of pessimism have been overdone, that does not mean Thailand is out of the woods. Crosby is forecasting only a 0.75 point fall in short-term interest rates next year, and there is concern about the property market.

"We think the slowdown is cyclical rather than structural," says Mr Deep Kapur, regional strategist at Salomon Brothers in Singapore, "but we won't know for another six months whether that's actually correct."

Among lingering concerns are worries about the health of the banking system and stretched finance company balance sheets, as well as the need for the central bank to maintain high short-term interest rates to roll over the large amounts of short-term debt Thailand has accumulated to finance its balance of payments deficit.

Thailand will need to show clear evidence that these problems have been overcome and that earnings are again accelerating before a lasting rally can begin, brokers say. Earnings are likely to grow by only around 5 per cent this year, and that may accelerate to around 13 per cent in 1997, but that is not particularly impressive when short-term interest rates are around 12.5 per cent, says Mr Kapur.

By contrast, many brokers remain bullish about the prospects for Hong Kong in spite of the recent run-up in prices. Not only are Hong Kong equities likely to benefit from the improving outlook in China, there is also the prospect of a boom in the property market as Chinese buyers move in on both office and residential property in the wake of next year's handover, says Mr Peter Churchouse of Morgan Stanley.

Against that backdrop, Hong Kong has little to fear from a rise in US rates or a turn on Wall Street. Since the Hong Kong dollar is pegged to the US currency, higher US rates would have to be followed through. However, changes are likely to be modest and there is unlikely to be much of a squeeze on real interest rates in Hong Kong.

Nor is the market particularly expensive. Mr Churchouse has it on 12.5 times next year's earnings; Mr Kapur on 13.3 times. Some Hong Kong officials have expressed concern over the risk of a bubble in the hand-over euphoria next year, but equities are not yet showing much sign of that.

Somewhere between these extremes come the other Asian markets. In Korea, Taiwan, and Singapore, as well as Thailand, there is concern about earnings growth, says Mr Kapur.

In historical terms, Singapore looks cheap and the market's recent recovery suggests it is starting to discount a turnround in the electronics sector but, warns Crosby's Mr Saker, there remains a question of which stocks are good buys.

Among the more obvious ones, Singapore Airlines is suffering from higher fuel prices and the impact of the strong Singapore dollar on costs. Singapore Telecom is depressed by the prospect of further privatisation sales.

The Malaysian market has recovered since interest rates started to fall during the summer, but now, according to some brokers, it is looking fairly fully valued.

At the other end of the region, South Korea is a market that has managed consistently to disappoint. It has been badly affected by the slowdown in Asian exports this year and corporate earnings have suffered, with falls of some 10 per cent expected.

Against that, the government last week laid the parliamentary ground for ratification of Korea's plan to join the OECD. In theory, that should lead to rapid gains in equities as financial markets are limited. But regional brokers say these benefits still look elusive.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	25/11/96	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (447)	159.80	+0.41	+0.26	−0.72	−0.45	+12.24	+8.30
Latin America							
Argentina (22)	101.47	+0.85	+0.85	+5.84	+6.11	+8.69	+8.45
Brazil (24)	246.88	+0.93	−0.38	−8.26	−3.24	+60.78	+32.66
Chile (16)	176.46	−2.69	−1.50	−12.39	−6.56	−19.20	−9.62
Colombia (13)	171.68	−4.22	−2.40	−3.37	+1.93	+7.43	+4.53
Mexico (27)	80.65	−2.02	−2.45	−1.45	−1.77	+7.05	+9.58
Peru (12)	1056.61	+34.66	−3.18	−89.45	−7.80	−12.14	−1.14
Venezuela (6)	61.34	+2.56	+4.36	+2.49	+4.24	+33.83	+123.00
Latin America (119)	140.44	−1.05	−1.05	−3.35	−2.33	+17.30	+14.05
Europe							
Czech Rep.(14)	100.15	+5.60	+5.92	−3.98	−3.82	+23.85	+31.25
Greece (20)	111.92	+1.20	+1.09	−3.37	−2.93	+13.95	+14.24
Poland (25)	336.57	+5.02	+1.51	−10.84	−3.12	+135.42	+67.32
Portugal (18)	143.42	+0.01	0.00	+6.93	+5.08	+26.97	+23.15
South Africa (30)	133.09	−1.24	−0.92	−7.40	−5.27	−20.29	−13.23
Turkey (27)	118.16	+4.12	−3.61	−1.91	−1.59	+35.36	+42.71
Europe (134)	118.71	+0.32	+0.27	−4.14	−3.37	−2.82	−2.32
Asia							
China (26)	45.70	+2.63	+6.11	+0.11	+0.24	+5.37	+13.33
Indonesia (30)	153.92	−1.26	−0.81	+13.12	+9.32	+15.28	+11.02
Korea (23)	94.23	−1.31	−1.38	−8.53	−8.30	−42.67	−31.17
Malaysia (24)	276.19	+9.28	+3.48	+5.95	+2.20	+48.82	+21.47
Pakistan (13)	67.39	−3.47	−4.89	+2.51	+3.88	−6.21	−8.44
Philippines (18)	305.26	+1.84	+0.61	−1.64	−0.53	+46.09	+17.78
Taiwan (31)	182.19	+5.10	+2.88	+9.22	+5.33	+51.37	+39.27
Thailand (28)	187.07	−8.08	−4.14	+5.56	+3.06	−64.81	−25.73
Asia (193)	220.30	+2.52	+1.16	+5.71	+2.66	+17.25	+8.50

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS By Richard Adams

Analysts back tight budget to buoy gilt prices

The Budget to be delivered by the British government tomorrow poses a simple question for those wondering about its likely impact on the gilts market. Will it be a "tight" fiscal budget, and therefore good for gilt prices, or will it be a "loose" monetary budget, and therefore bad for gilt prices?

Most analysts in London are backing a tight budget – no tax give-aways, inflation kept under control – against the background of economic news that portrays the UK economy mirroring the recent strong performance of the US economy. Recurrent signals of an upturn are interspersed with data showing inflationary dangers. In the words of one market participant: "Every silver lining seems to have a cloud."

For example, last week's headline figure for the growth rate of third-quarter GDP showed a healthy 0.8 per cent, but was followed by data showing M4 money supply had risen 10.4 per cent, above the 9 per cent target ceiling.

Much hinges on the way the Budget is perceived by the markets. The consensus in the City seems to be that Mr Kenneth Clarke, the Chancellor of the Exchequer, *has too much to lose in* terms of his reputation and credibility vis-a-vis the financial markets.

Mr Philip Shaw, chief economist at Union Discount in London, said: "Ideally, the forthcoming budget would involve a tightening in the overall fiscal stance, by which we mean that Mr Clarke should aim to reduce the PSBR." Doing so would have the double effect of damping the current high level of consumer expenditure and reducing the size of the government's debt.

Mr Adam Chester, international bond strategist at Yamaichi in London, said: "We doubt the Chancellor will announce an aggressive easing in fiscal policy. Not least, it is unlikely that politically-motivated tax cuts would result in any material improvement in the government's popularity. Although tax cuts are on the cards, we expect them to be largely offset by expenditure reductions. A broadly neutral budget seems in prospect."

But Mr Kevin Darlington, analyst at ABN Amro, thinks increased tax receipts and expected higher GDP growth in 1997 of up to 3.5 per cent could free the Chancellor's hand to cut taxes and reduce the PSBR to around £20bn. "It could be a 'perfect' budget – one that is 'tight' yet cuts taxes. And the big numbers could satisfy the Chancellor's Maastrichtian bent," he said.

"The market is largely discounting such a budget, and is likely to take the PSBR targets at face value, even though spending plans will be under threat from higher inflation."

Economists at Bank of America in London disagree, saying that the Chancellor will almost certainly be forced to raise interest rates: "Even a budget that arithmetically shows no net injection *[with spending cuts offsetting tax cuts]* is unlikely to be deemed tight enough to prevent additional monetary tightening," said one.

Bank of America sees a significant risk of a base rate rise as early as December 11: "This should prevent the rally in gilts moving much below a 180 [basis point] spread over bunds, even if the initial reaction to the budget is positive."

Analysts at BZW see less danger of an interest rate rise. Mr Kevin Adams, a bond strategist, said the recent rise, and expectations of more to come, have flattened the yield curve. But a prudent budget could deflate the short end of the curve.

"We believe that a tight budget will help to unwind expectations of a rise [in the base rate] to 6.75 per cent by March currently priced into the short sterling curve. That should help short gilts rally," Mr Adams said.

"Tactically, curve steepening trades thus look appropriate to exploit reaction to a tight budget."

Both BZW, and NatWest Markets' international bond team, led by Mr Kit Juckes, point to flatness in the yield *curve beyond 10 years.* The yield spread between 10-year and 20-year paper, for example, fell to 20 basis points last week, as the latter outperformed.

"There still remains scope for a near-term bounce in gilts should Chancellor Clarke deliver a fiscal package perceived as prudent by the international investment community," NatWest said.

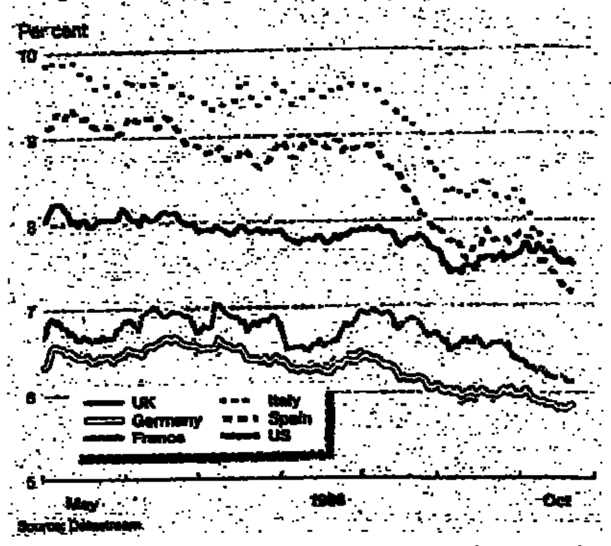
"Yet, thereafter the outlook for gilts will darken again as the consumption figures remain buoyant, the RPIX numbers [of retail price growth excluding the cost of mortgage servicing] remain over 3 per cent, and rate hike speculation takes hold." The curve should steepen, with yields on ultra-long gilts rising.

Analysts at HSBC Markets consider that future tax cuts, projected several years in advance, could be announced tomorrow. Mr Don Smith and Mr Philip Tyson, writing in a market strategy report, said in the case of delayed cuts bringing the standard rate of personal income tax down to 20p. "the gilt market would probably react favourably as though this were a tight budget".

Mr Jonathan Loynes, also at HSBC, suggests the Chancellor could gain popular applause and market kudos by cutting excise duties and stemming the rise of inflation. "Eliminating the contribution to inflation from higher petrol and tobacco duties is Mr Clarke's only real chance of meeting his inflation target," he said.

HSBC's analysts also point out that the timing of the budget means a delay in the Bank of England's December 4 auction announcement by one day. They predict an issue of gilts due June 2002, which are likely to be strippable.

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.20 (1)	7.50	6.00 (2)
Overnight	5.13	0.47	2.94	3.31	7.43	5.89
Three month	5.16	0.36	3.12	3.37	6.90	6.37
One year	5.42	0.50	3.22	3.54	6.43	6.81
Five year	5.93	1.61	4.62	4.84	6.82	7.15
Ten year	6.13	2.70	5.80	5.81	7.62	7.46

(1) France-Repo rate (2) UK-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Oest Kontrollbank(f)	500	Dec 2006	6.50	99.96R	6.506	+23(6½%-Oct06)	Goldman Sachs Intl
NTT	300	Dec 2001	6.125	99.909R	6.147	+11(5yr)	ABN Amro/JP Morgan
Chugoku Electric Power Co(f)	250	Dec 2001	6.25	99.788R	6.301	+26(5yr)	IBJ International
Petrobras Distribuidora(f)	150	Nov 1997	7.50	99.825R	7.688	+200(Libor)	BZW
Student Loan Mktg Assoc(c)	500	Dec 1999	6.160	100.00R	6.180	[illegible]	Merrill/Morgan Stanley
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GUILDERS							
DSM	300	Dec 2006	6.25	99.28R	6.349	+52(f)	ABN Amro Hoare Govett
Kredietbank Intl Finance(c)(n)	200	undated	6.375	98.96R	6.517	+65(f)	Rabobank International
FRENCH FRANCS							
Crédit Local de France(a)	1bn	Oct 2001	5.375	101.65R	4.975	+17(5½-Oct01)	BNP
Norddeutsche Landesbank	1.5bn	Dec 2003	5.375	99.499R	5.463	+15(f)	CDC/Crédit Agricole
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ATHENS STOCK EXCHANGE Nov 18th - Nov 22nd 1996 GREECE

ASE INDEX	906.02	P/E (after tax) 96e/95	11.5/12.1	GDP (USD bn) 96e	122.95
%Chg (2/1/96)	0.25	EPS GROWTH (%) 96e	12.1	Per Capita Income (USD)	11,623
Yearly High	1026.02	P/E 96e/EPS GROWTH (%) 96e	0.95	Inflation Rate (% Y.O.Y. October 96)	8.30
Yearly Low	870.86	P/CE 96e/95	9.6/10.1	November 12 M T-Bill rate (%)	12.00
WEEKLY VOL. (USD m)	140.89	P/BV 96e/95	2.4/2.7	1-Month Athibor (%)	13.44
%Chg (Prev. Wk)	188.78	Div. Yield (%) 96e/95	6.2/5.8	GRD/US$	236.90
1 Yr Wk Avg. (USD m)	158.19			A.S.E. Market Capitalisation - 22/11/96 (USD bn)	24.48
				IPOs & Rights Issues (in USD m) Jan 1 '96-Nov 22 '96	564.99

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Nov 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.7738	-0.0527	651 - 820	17.8241	17.7306	17.7801	2.9	17.6738	2.3	-	-	104.7
Belgium	(BFr)	52.0661	-0.1419	407 - 915	52.1900	51.9620	51.9411	2.9	51.6761	3.0	50.4811	3.0	106.8
Denmark	(DKr)	9.6993	-0.0334	961 - 024	9.7256	9.6856	9.6793	2.5	9.6387	2.5	9.4598	2.5	107.1
Finland	(FM)	7.6245	-0.0212	170 - 318	7.6420	7.6140	-	-	-	-	-	-	84.3
France	(FFr)	8.5620	-0.0225	595 - 645	8.5967	8.5433	8.5412	2.9	8.4996	2.9	8.2949	3.1	108.3
Germany	(DM)	2.5255	-0.0075	244 - 266	2.5330	2.5190	2.519	3.1	2.5057	3.1	2.4409	3.3	107.8
Greece	(Dr)	398.458	-1.073	121 - 795	399.599	397.744	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9994	-0.0011	978 - 990	1.0004	0.9976	0.9981	0.4	0.9971	0.5	0.9905	0.8	102.0
Italy	(L)	2522.60	-8.04	101 - 418	2530.48	2514.79	2526.4	-1.8	2533.9	-1.8	2538.4	-0.6	77.3
Luxembourg	(LFr)	52.0661	-0.1419	407 - 915	52.1900	51.9620	51.9411	2.9	51.6761	3.0	50.4811	3.0	106.8
Netherlands	(Fl)	2.8340	-0.0075	327 - 352	2.8498	2.8266	2.8262	3.3	2.8107	3.3	2.7372	3.4	105.9
Norway	(NKr)	10.6513	-0.0255	480 - 545	10.7308	10.6318	10.6398	1.4	10.6188	1.2	10.5138	1.3	99.4
Portugal	(Es)	255.215	-0.831	127 - 304	257.407	254.888	255.41	-0.9	255.76	-0.9	-	-	95.7
Spain	(Pta)	212.539	-0.492	483 - 596	212.982	211.957	212.704	-0.9	212.934	-0.7	212.934	-0.2	80.0
Sweden	(SKr)	11.1255	-0.0554	166 - 344	11.1859	11.0993	11.1243	0.1	11.1217	0.1	11.1093	0.1	88.8
Switzerland	(SFr)	2.1299	-0.0106	287 - 310	2.1409	2.1244	2.1219	4.5	2.1067	4.4	2.0352	4.4	107.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	92.5
Ecu	-	1.3140	-0.0034	134 - 146	1.3172	1.3113	1.3121	1.8	1.3076	1.9	1.2882	2.1	-
SDR†	-	1.152580	-	-	-	-	-	-	-	-	-	-	-
Americas													
[illegible]													
Pacific/Middle East/Africa													
[illegible]													
Singapore	(S$)	2.3541	-0.0135	529 - 553	2.3685	2.3524	-	-	-	-	-	-	-
South Africa	(R)	7.7501	-0.041	447 - 555	7.7948	7.7251	-	-	-	-	-	-	-
South Korea	(Won)	1387.37	-13.43	674 - 800	1400.10	1386.71	-	-	-	-	-	-	-
Taiwan	(T$)	46.2316	-0.2393	911 - 721	46.4439	46.1900	-	-	-	-	-	-	-
Thailand	(Bt)	42.7265	-0.2295	033 - 496	43.0090	42.7030	-	-	-	-	-	-	-

† Rates for Nov 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.5723	+0.0233	688 - 757	10.5850	10.5220	10.5576	1.7	10.5123	2.3	10.3173	2.4	104.7
Belgium	(BFr)	30.9705	+0.0755	600 - 810	31.0000	30.8480	30.9105	2.3	30.783	2.4	30.243	2.3	105.6
Denmark	(DKr)	5.7694	+0.0099	684 - 704	5.7780	5.7510	5.7605	1.9	5.7421	1.9	5.6604	1.9	106.7
Finland	(FM)	4.5353	+0.0108	315 - 390	4.5390	4.5182	4.5265	2.3	4.5078	2.4	4.4253	2.4	83.9
France	(FFr)	5.0930	+0.013	922 - 937	5.0992	5.0610	5.0846	2.0	5.0667	2.1	4.991	2.0	108.0
Germany	(DM)	1.5023	+0.0033	018 - 027	1.5040	1.4965	1.4994	2.3	1.4934	2.4	1.4687	2.2	107.5
Greece	(Dr)	237.015	+0.585	850 - 180	237.400	236.190	238.57	-7.9	241.14	-7.0	252.165	-6.4	67.0
Ireland	(I£)	1.6838	-0.007	830 - 846	1.6905	1.6800	1.6833	0.3	1.683	0.2	1.6801	0.2	-
Italy	(L)	1500.52	+2.97	980 - 124	1502.14	1492.81	1503.69	-2.5	1510.12	-2.6	1523.17	-1.5	76.9
Luxembourg	(LFr)	30.9705	+0.0755	600 - 810	31.0000	30.8480	30.9105	2.3	30.783	2.4	30.243	2.3	105.6
Netherlands	(Fl)	1.6857	+0.0042	852 - 862	1.6872	1.6789	1.6819	2.7	1.6739	2.8	1.6383	2.8	105.6
Norway	(NKr)	6.3357	+0.0176	347 - 367	6.3745	6.3054	6.3319	0.7	6.3263	0.6	6.3007	0.6	98.9
Portugal	(Es)	151.810	+0.29	780 - 840	152.900	151.260	152.015	-1.6	152.31	-1.3	153.085	-0.8	96.0
Spain	(Pta)	126.425	+0.38	410 - 440	126.480	125.940	126.605	-1.7	126.865	-1.4	127.53	-0.9	80.0
Sweden	(SKr)	6.6178	+0.0013	135 - 221	6.6350	6.5990	6.615	0.5	6.6052	0.8	6.5578	0.9	88.4
Switzerland	(SFr)	1.2669	+0.0002	664 - 674	1.2706	1.2647	1.2631	3.6	1.2552	3.7	1.2224	3.5	107.0
UK	(£)	1.6812	-0.0087	809 - 814	1.6901	1.6793	1.6802	0.7	1.6776	0.9	1.6614	1.2	92.5
Ecu	-	1.2794	-0.0034	790 - 798	1.2837	1.2780	1.2808	-1.3	1.2839	-1.4	1.3005	-1.6	-
SDR†	-	0.684758	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-0.0004	995 - 995	0.9995	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	1.0306	-0.0002	305 - 307	1.0308	1.0305	-	-	-	-	-	-	-
Canada	(C$)	1.3392	-0.0006	389 - 394	1.3410	1.3380	1.3368	2.1	1.3318	2.2	1.3043	2.6	85.1
Mexico	(New Peso)	7.8705	-0.03	680 - 730	7.8730	7.8660	7.9895	-18.0	8.255	-19.5	9.1155	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.8
Pacific/Middle East/Africa													
Australia	(A$)	1.2315	-0.0021	311 - 318	1.2345	1.2310	1.233	-1.5	1.2349	-1.1	1.2404	-0.7	96.8
Hong Kong	(HK$)	7.7320	-0.0001	315 - 325	7.7330	7.7315	7.7319	0.0	7.7325	0.0	7.7435	-0.1	-
India	(Rs)	35.7000	-	500 - 500	35.7500	35.8450	35.915	-7.2	36.375	-7.6	-	-	-
Israel	(Shk)	3.2509	+0.0034	492 - 525	3.2541	3.2471	-	-	-	-	-	-	-
Japan	(Y)	111.225	-0.095	200 - 250	111.480	111.100	110.75	5.1	109.745	5.3	105.545	5.1	130.0
Malaysia	(M$)	2.5185	-0.0016	180 - 190	2.5208	2.5180	2.5213	-1.4	2.5267	-1.3	2.548	-1.2	-
New Zealand	(NZ$)	1.3989	-0.0047	982 - 996	1.4006	1.3981	1.4044	-4.7	1.4087	-2.8	1.4402	-3.0	-
Philippines	(Peso)	26.2750	+0.015	300 - 200	26.3200	26.2300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4003	-0.0008	998 - 008	1.4027	1.3991	1.3982	1.8	1.3936	1.9	1.3723	2.0	-
South Africa	(R)	4.6100	-0.0005	075 - 125	4.6265	4.5850	4.6507	-10.6	4.7257	-10.0	5.0405	-9.3	-
South Korea	(Won)	825.250	-3.7	000 - 500	829.200	825.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	-	800 - 200	27.5260	27.4750	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.4150	-0.005	050 - 250	25.4700	25.4025	25.505	-4.2	25.6725	-4.1	26.31	-3.5	-

† SDR rate per $ for Nov 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 21: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.63	16.44	4.849	1.917	4845	5.443	20.45	490.1	408.1	21.38	4.091	1.920	4.323	3.228	359.1	2.524
Denmark	(DKr)	53.69	10	8.826	2.603	1.029	2601	2.922	10.98	263.1	219.1	11.48	2.196	1.031	2.321	1.733	192.8	1.355
France	(FFr)	60.82	11.33	10	2.949	1.166	2947	3.310	12.44	298.1	248.2	13.00	2.488	1.168	2.629	1.963	218.4	1.535
Germany	(DM)	20.62	3.841	3.391	1	0.395	999.2	1.122	4.218	101.1	84.16	4.408	0.844	0.396	0.891	0.666	74.06	0.520
Ireland	(I£)	52.17	9.718	8.579	2.530	1	2528	2.840	10.67	255.7	212.9	11.15	2.134	1.002	2.256	1.684	187.4	1.317
Italy	(L)	2.064	0.384	0.339	0.100	0.040	100.	0.112	0.422	10.11	8.423	0.441	0.084	0.040	0.089	0.067	7.412	0.052
Netherlands	(Fl)	18.37	3.422	3.021	0.891	0.352	890.3	1	3.758	90.05	74.98	3.927	0.752	0.353	0.794	0.593	65.98	0.464
Norway	(NKr)	48.89	9.107	8.039	2.371	0.937	2369	2.661	10	239.6	199.5	10.45	2.000	0.939	2.114	1.578	175.6	1.234
Portugal	(Es)	20.40	3.801	3.355	0.989	0.391	988.6	1.111	4.173	100.	83.27	4.361	0.835	0.392	0.882	0.659	73.28	0.515
Spain	(Pta)	24.50	4.564	4.029	1.188	0.470	1187	1.334	5.012	120.1	100.	5.238	1.002	0.471	1.059	0.791	88.00	0.618
Sweden	(SKr)	46.78	8.714	7.693	2.269	0.897	2267	2.546	9.569	229.3	190.9	10	1.914	0.898	2.022	1.510	168.0	1.181
Switzerland	(SFr)	24.45	4.554	4.020	1.185	0.469	1185	1.331	5.000	119.8	99.77	5.225	1	0.469	1.057	0.789	87.79	0.617
UK	(£)	52.07	9.699	8.562	2.525	0.998	2523	2.834	10.65	255.2	212.5	11.13	2.130	1	2.251	1.681	187.0	1.314
Canada	(C$)	23.13	4.309	3.804	1.122	0.443	1121	1.259	4.731	113.4	94.40	4.944	0.946	0.444	1	0.747	83.07	0.584
US	($)	30.98	5.770	5.093	1.502	0.594	1501	1.686	6.336	151.8	126.4	6.621	1.267	0.595	1.336	1	111.2	0.782
Japan	(Y)	27.84	5.187	4.579	1.350	0.534	1349	1.516	5.695	136.5	113.6	5.952	1.139	0.535	1.204	0.899	100.	0.703
Ecu		39.63	7.381	6.516	1.922	0.760	1920	2.157	8.105	194.2	161.7	8.470	1.621	0.761	1.713	1.279	142.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

FT GOLD MINES INDEX

	Nov 22	% chg since 29/12/95	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (32)	1905.67	-0.4	51.54	100.00	1.81	-	2620.73	1832.04
Regional Indices								
Africa (14)	2415.18	-3.5	13.33	25.86	3.22	34.36	3553.86	2332.70
Australasia (6)	2117.26	-10.6	5.77	11.19	2.71	20.57	2927.34	2005.75
North America (12)	1735.35	+3.0	32.45	62.95	0.75	65.65	2188.39	1612.25

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■ Pound in New York

Nov 22	—Close—	—Prev. close—
£ spot	1.6795	1.6880
1 mth	1.6785	1.6880
3 mth	1.6760	1.6853
1 yr	1.6601	1.6688

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Nov 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅜ - 5½	6 - 5⅝	6 1/32 - 5 15/16	6 7/16 - 6 3/16	6⅝ - 6½	7 - 6⅞
Sterling CDs	-	-	6 1/32 - 6	6 5/16 - 6¼	6½ - 6 7/16	6 27/32 - 6 25/32
Treasury Bills			5 31/32 - 5⅞	6¼ - 5 15/16	-	-
Bank Bills			5 31/32 - 5⅞	6¼ - 6⅛	6 7/16 - 6 5/16	-
Local authority deps.	6⅝ - 6	6 - 5¾	6 1/16 - 6	6⅛ - 6 1/16	6 3/16 - 6 3/16	6 7/16 - 6 7/16
Discount Market deps	6¼ - 5⅝	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Nov 22, 6.1355pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1996. Agreed rate for period Nov 26, 1996 to Dec 24, 1996, Scheme III 7.25pc. Reference rate for period Oct 1, 1996 to Oct 31, 1996, Schemes IV & V 6.001pc. Finance House Base Rate 6pc from Nov 1, 1996

BANK OF ENGLAND TREASURY BILL TENDER

	Nov 22	Nov 15		Nov 22	Nov 15
Bills on offer	£200m	£200m	Top accepted rate	6.1569%	6.0967%
Total of applications	£374m	£906m	Ave. rate of discount	6.1355%	6.0429%
Total allocated	£200m	£200m	Average yield	6.2308%	6.1353%
Min. accepted bid	£98.465	£98.480	Offer at next tender	£200m	£200m
Allotment at min. level	82%	34%	Min. accept. bid 93 days	-	-

■ D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

[illegible]

BANK RETURN

[illegible]

BASE LENDING RATES

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

STOCK INDICES

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES
[illegible]

BANKS, MERCHANT
[illegible]

BANKS, RETAIL
[illegible]

BREWERIES, PUBS & REST
[illegible]

BUILDING & CONSTRUCTION
[illegible]

BUILDING MATS. & MERCHANTS
[illegible]

CHEMICALS
[illegible]

CHEMICALS - Cont.
[illegible]

DISTRIBUTORS
[illegible]

DIVERSIFIED INDUSTRIALS
[illegible]

ELECTRICITY
[illegible]

ELECTRONIC & ELECTRICAL EQPT
[illegible]

ENGINEERING
[illegible]

ENGINEERING - Cont.
[illegible]

ENGINEERING, VEHICLES
[illegible]

EXTRACTIVE INDUSTRIES
[illegible]

EXTRACTIVE INDUSTRIES - Cont.
[illegible]

FOOD PRODUCERS
[illegible]

FOOD PRODUCERS - Cont.
[illegible]

GAS DISTRIBUTION
[illegible]

HEALTH CARE
[illegible]

HOUSEHOLD GOODS
[illegible]

HOUSEHOLD GOODS - Cont.
[illegible]

INSURANCE
[illegible]

INVESTMENT TRUSTS
[illegible]

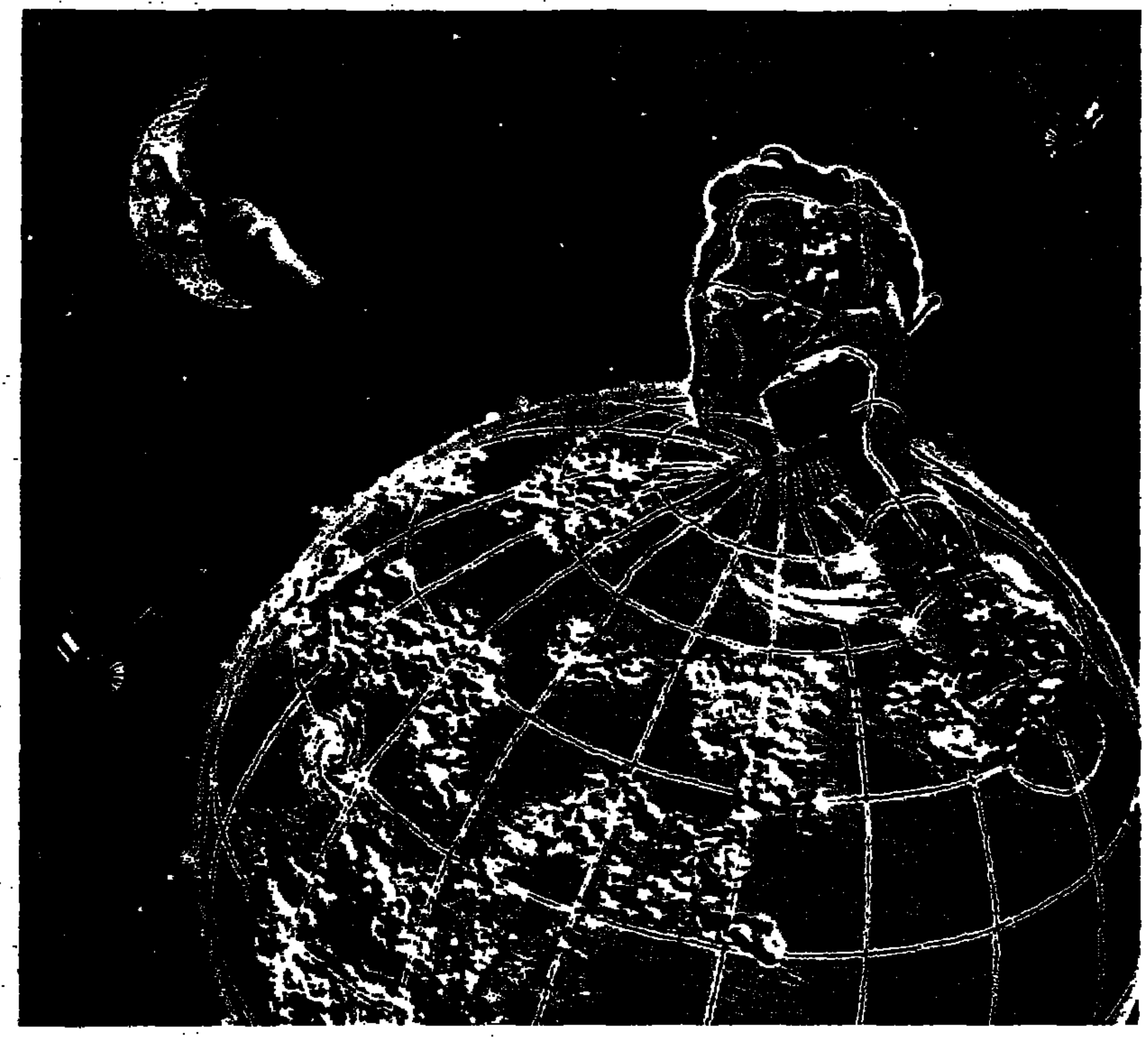
INVESTMENT TRUSTS - Cont.
[illegible]

INV TRUSTS SPLIT CAPITAL
[illegible]

MOBILE COMMUNICATIONS

Answering the call for quality

The main battle now is not to build the subscriber base but to improve customer service and increase investor confidence. Alan Cane reports on an industry in transition



The global mobile phone market has grown over the past two decades at rates that have delighted investors but largely served to obscure tough challenges ahead.

The industry is confronted by a number of issues, technical and commercial, which will fundamentally change its structure and the way it operates.

Mr Mike Short, director of international affairs for Cellnet, the UK operator, says the principal questions are how to maintain the confidence of investors in an industry set for dramatic changes, how to manage growth and how to improve quality: "We are moving away from pure numbers to questions like: 'How do we give better value to our customers?' 'How do we as operators think about paying back the investor community for their confidence in us?' 'How do we move towards a more information-orientated world?'"

The numbers continue to dazzle, however. Today's 130m cellular phone subscribers are expected to more than double to 300m by the end of the decade. Over the same period, the value of the market is expected to grow from $85bn to $150bn. Of the total minutes of telephone usage in 1993, only 1.4 per cent involved mobile phones. By 2003, the percentage is expected to have risen to 26 per cent.

But if the growth of mobile telephony has been spectacular it has also been uneven. In some parts of the world it is essentially replacing fixed-wire services as governments attempt to provide a universally available – but relatively inexpensive – telephone service.

In the Asia-Pacific area, for example, the wireline business is virtually at a standstill, while, according to the London-based consultancy, CIT Research, cellular communications are booming.

In 1995, CIT points out, the cellular market in the Philippines grew by more than 100 per cent, with 425,000 handsets in use. In contrast, fixed lines grew by only 25 per cent – and this in a country where there are fewer than two lines for every 100 citizens.

CIT says it expects the number of handsets in India to rise from 50,000 in 1995 to more than 500,000 by the end of this year. "Growth in the fixed-line base, on the other hand, is likely to limp along at about 25 per cent a year for the next couple of years and could fall thereafter," it adds.

Ms Jill Maslen, CIT managing director, points to the difference in cost of establishing a wireline and wireless system in geographically large areas: "To give China 170m telephone lines – that is 13 per 100 people – by 2000 would cost more than $60bn: There are few lenders in the queue."

In wealthier countries, there is still a cachet in being part of the mobile phone community. Mr John Carrington, managing director of Mobile Systems International, which develops planning software for mobile operators, picks the example of Hong Kong: "It is wonderful to see all these people with their mobile phones and their pagers in front of them when all local calls are free."

Against this background, however, a number of factors seems set to complicate matters and, perhaps, impede progress:

● Standards are becoming a contentious issue in both mobile telephony and its less glamorous cousin, radio-paging, as subscribers increasingly demand to use their phones across national boundaries.

In Europe and much of the rest of the world, the digital GSM (Global Standard for Mobile telephony) technology is well entrenched. Operators in the US, however, are sinking billions of dollars into a competing technology CDMA (Code Division Multiple Access) which promises higher performance. Japan is enthusiastic about a third standard, the Personal Handyphone. Unless a common world standard can be agreed, travellers will be forced to use different phones in different countries until a multimode phone is available.

In the paging world a battle is developing between the European-backed standard "Ermes", used by some 4m subscribers, and "Flex", developed by Motorola and used by 88m subscribers in the US and Asia.

● Operators' average revenue per subscriber is set to fall in developed countries as the mobile phone becomes a mass-market rather than a niche product. In most countries, the early users of mobile phones were business people prepared to pay high handset costs, line rental and call charges because of the business benefits.

To extend mobile telephony into the residential market, prices will have to decline. In the US, the average monthly bill stands at approximately $48, half of what it was in 1987.

● Subsidised handsets – bringing the prices to subscribers down from hundreds to tens of dollars – have expanded the market in many countries but are also thought to be responsible for the mobile industry's high incidence of "churn", a measure of the proportion of customers leaving or being excluded from a network.

Mr Steve Bell, European marketing director for Motorola, the US manufacturer, says: "The key is the value of the handset. Subsidised pricing is beginning to backfire. If there is no value for the industry in the handset, everybody, customer, operator, service provider and manufacturer, loses."

Dual and triple band phones are expected next year, capable of operating on more than one wavelength. The emergence of a multimode handset operating as a cordless phone in the home or office, a cellular phone outside and a satellite phone in remote regions is still some years off.

● The question of convergence leading to the combination of fixed and mobile services, which can be used seamlessly and interchangeably, has to be addressed. Mr Nick Williams, a partner with the consultants Deloitte & Touche, argues that convergence is the issue that could shape every aspect of the market in future. Mobile operators, for example, could lose corporate accounts to fixed line operators with mobile capabilities.

● The quality of mobile telephony in terms of both technology and customer service has to improve markedly. As one consultant puts it: "The quality of mobile services today ranges from average to crap."

The commercial potential in mobile telephony explains current enthusiasm both for bidding for mobile licences and investing in mobile operators. The US Federal Communications Commission, for example, raised $10.1bn from the auction of licences for personal communications services (digital telephony for a mass market) this year following $7.7bn last year.

Belgium, Chile, Italy, Germany and Brazil are among the countries that have either introduced mobile services or invited bids for cellular or paging licences in the past few months.

Such activity, however, cannot continue indefinitely. Sir Gerald Whent, chief executive of Vodafone, the leading UK operator, which has built up a broad portfolio of interests in cellular licences abroad, warned this year that the best of the crop had already been harvested.

Analysys, a UK-based telecoms consultancy, says the era of mobile licensing is coming to an end: "For investors without a current stake, winning a mobile licence (or grabbing a share in one) between now and 2000 represents the last chance to enter the mobile market, and possibly the broader voice telephony market".

Much will depend on the attitude of regulators around the world. Here the EU, which has decided to open Europe's telecoms markets to full competition on January 1, 1998, is in the vanguard. Mr David Brown, a senior director in Motorola's cellular infrastructure group argues that the EU has become the bellwether for wireless access around the world. "It is happening here more fiercely than anywhere else," he says. "The world would do well to look closely at what is happening in Europe over the next couple of years and regard it as an augury for what will happen in the rest of the world."

Vodafone's TV ad campaign: higher marketing spend and a focus on non-business users are signs of operators' growing sophistication

■ **The UK market:** by Alan Cane

Time for a greater maturity

Future strength depends on digital technology and a strategy to combat 'churn'

The UK mobile phone market, once the most vigorous in Western Europe, slowed unaccountably in 1996.

According to figures collated by the Financial Times newsletter *Mobile Communications*, the total number of subscribers added by UK cellular operators in the first nine months of the year was only two thirds of the number recorded over the same period in 1995.

Explanations put forward by the UK's quartet of operators – Vodafone, the BT subsidiary, Cellnet, One-2-One, owned equally by Cable & Wireless and US West, and the newly floated Orange – ranged from a reaction to the exuberant growth seen in 1995 to indifferent advertising strategies from the market leaders.

In earlier years, certainly, rampant demand for mobile services made advertising almost unnecessary.

Orange broke the mould, however, with campaigns of verve and imagination in its drive to sign up a new kind of subscriber. (It spends about £30m a year on advertising: Cellnet about half that amount.)

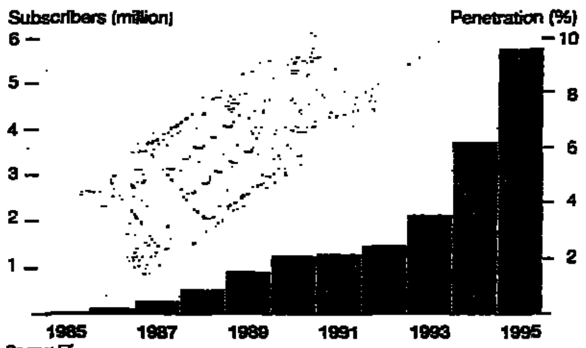
The company, which offers digital PCS services aimed at a mass rather than a purely business market, reasoned that tomorrow's subscribers would treat mobile telephony as part of their daily lives, rather than an expensive luxury to be used only in emergencies.

Its thinking has proved to be on the right lines. Analysis of the UK market by Continental Research, a UK-based company, shows that more people are using mobile phones for personal calls than for work for the first time since cellular services were introduced in the UK.

Orange's success in signing up customers – with some 659,000 subscribers it is fighting Cellnet for second place in the digital services market – has spurred its rivals to respond. Some are increasing their marketing spend dramatically. Vodafone, the market leader, will more than treble its advertising budget next year to £20m to counter the threat. Its television advertising is based around the slogan "You are not alone". One-2-One launched a £12m campaign in October on the theme of "Having a One-2-One".

The perception is that issues of marketing and customer service have superseded those of price and geographic coverage in the UK market. There are particular concerns that mobile telephony still compares unfavourably with the fixed-line variety. The shift to digital rather than analogue telephony may go a long way to improving quality.

UK cellular market



Source: FT

Vodafone is overall market leader with about 42 per cent of the market, followed by Cellnet with 40 per cent, Orange with 10 per cent and One-2-One with 7 per cent. Most of Vodafone and Cellnet's subscribers, however, are using the older analogue technology, which is expensive, insecure and makes poor use of the airwaves.

The government has decided that by about 2005 all mobile customers will use the more modern digital technology. It is cheaper, resistant to fraud and allows four times as many calls to be compressed into the same bandwidth.

Among the 6.31m subscribers in the UK, there are now 2.7 digital users. Vodafone led the market in October with 945,000 digital subscribers, followed by Orange with 659,000, Cellnet with 654,000 and One-2-One with 460,000.

Orange, whose flotation in March this year was an outstanding success, clearly aims to take on Vodafone and Cellnet in the digital market. The two larger operators, however, have both an advantage and disadvantage in their pool of analogue subscribers. An advantage because it is easier to convert an existing customer than attract a new one: a disadvantage because the costs of conversion will be high.

One-2-One, which, like Orange, offers only digital services, but has lagged behind the other three operators could see a renaissance in the coming months. It has a new and vigorous managing director, Ms Jan Peters, formerly a senior executive with US West's media group.

It is reversing earlier errors, which left it with poor geographic coverage compared with its rivals.

"We are managing one of the biggest turnkey projects in the history of mobile communications, taking our coverage from its current 55 per cent of the UK population to 80 per cent by the end of the year and on to 95 per cent by the end of next year," says Mr Ian Volans, a senior executive with One-2-One.

The problem of "churn", a measure of the number of subscribers either leaving a network or being excluded from it because of fraud or bad debt remains a big issue for all the operators. In July, for example, Vodafone signed up 95,000 new subscribers but lost 62,000 through churn. Cellnet took on 84,000 new subscribers but lost 59,000.

A primary reason for churn is the policy in the UK of subsidising the cost of mobile phones to encourage growth of the subscriber base. Customers are only slowly beginning to understand that a mobile phone apparently costing only a few pounds has to generate several hundred pounds in call and line charges if the operator is to recover the cost of the subsidy and make a profit.

The industry would in principle like to see a rise in the cost of handsets as a first step towards stabilising churn but the habit of subsidies seems too deeply ingrained to change quickly.

The mobile phone business in the UK is beginning to understand that a new maturity is essential to its continued growth. Earlier this year, the director general of fair trading, Mr John Bridgeman, threatened eight operators and service providers with legal action unless they modified airtime contracts that he believed contained unfair terms.

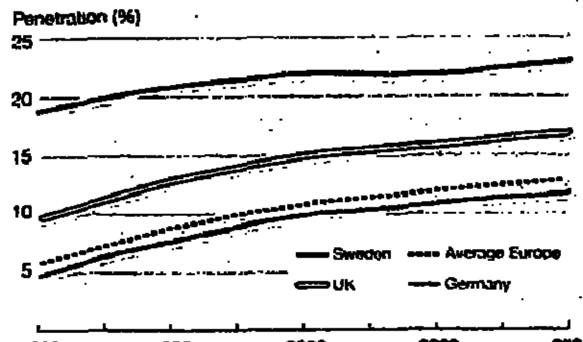
So far, Vodafone only has taken action, dropping its £50 disconnection charge. Talks with the other seven companies are continuing.

■ **Western Europe:** by Damian Peachey

New pressure for 'standard bearers'

The Europe-wide GSM technology creates challenges as well as opportunities

Predicted cellular growth



Source: CIT Research

Taken at face value, 1996 has been another good year for mobile services in Western Europe – just like every year in the past decade.

As of October 1 this year, according to the UK telecommunications consultancy, Romtec, Western Europe had 75 networks, run by 43 operators and a total of 30m subscribers. "This represents a 50 per cent rise over the 1995 figure of 20m," says Ms Eileen Preston, a Romtec analyst.

Yet these statistics disguise the dramatic changes taking place in Europe's mobile services market. There is a new cellular technology at its heart. New customers are a breed apart from the traditional mobile user. Plain voice telephony is now just one of a range of services offered by mobile operators, which are now looking beyond national borders.

Even the figure for the number of subscribers is not all that it seems: use of mobile phones can vary wildly from country to country. The Western European mobile services industry is entering an uncertain – but not unexciting – time.

Before 1990, a disparate group of analogue technologies – TACS, ETACS and NMT to name but a few – had come to dominate Europe's cellular networks. However, in the late 1980s, European manufacturers of cellular equipment came together to devise a common European digital cellular standard.

Their aim was to develop a standard that would not only allow "roaming", whereby mobile subscribers use their handsets on similar networks overseas but would also support new services. GSM, which uses the 900MHz frequency and is based on Time Division Multiple Access technology, was the result. It means the group of assorted analogue technologies is fast becoming history.

There are now 35 GSM networks across Western Europe – 39, if one includes the GSM derivative, DCS 1800. According to the fortnightly newsletter, *Global Mobile*, GSM subscriptions in Western Europe overtook analogue for the first time this year. By September 30, 1996, there were 17.7m GSM (including DCS 1800) subscribers in the region, compared with 13m analogue subscribers.

While the leading UK cellular operator, Vodafone, still has 600,000 more analogue than GSM subscribers, its digital traffic already exceeds analogue, according to Mr Mike Caldwell, corporate affairs manager.

"We are actually going to start migrating analogue radio spectrum to GSM next year to meet demand," Mr Caldwell says, adding that he expects the number of GSM subscribers to pass their analogue counterparts by next year.

According to Mr Mike Short, international affairs director at Vodafone's main rival, Cellnet, European governments want all analogue customers moved to GSM by 2005 so that spectrum can be re-used.

GSM's digital capability means it can carry more value-added services than analogue networks and at faster speeds.

"Football fans can receive half and full-time results direct to their handset in real time," says Mr Adam Zoldan, analyst at the UK telecommunications consultancy, Dataquest.

Both Mr Zoldan and Mr Short believe that mobile data is going to be the "killer" application that expands the number of mobile minutes on cellular networks. However, Mr Greg Clarke, chief executive of the mobile division of the UK's Cable & Wireless, disagrees.

> Some West European countries, France among them, have yet to target the bulk of the population

"You'll have to wait five years for data to come to fruition. The 'killer' factor now is consumers," he says.

Cable & Wireless has stakes in three Western European DCS 1800 networks – Mercury One-2-One in the UK, Bouygues Telecom in France and E-Plus in Germany. With around 1m subscribers between them, these networks have arguably done more to introduce mobile telephony to the consumer market than any others.

Before One-2-One's UK launch in late 1993 Vodafone and Cellnet, Britain's two original cellular operators, targeted the lucrative business market. Although tariffs and call charges were high, businesses were prepared to meet the costs for a service that was fast becoming essential.

Cable & Wireless and US West International realised that there was a gap in the market for a low-cost cellular service targeted at the consumer. Using DCS 1800 technology, which allows large urban populations to be covered at low-cost, they launched Mercury One-2-One.

One-2-One offered free local calls at off-peak times and weekends. This vigorous competition forced rival networks to examine their tariffs. Although One-2-One later changed its tariffs because of network congestion and revenue shortfall, Mr Zoldan feels that, in the long-run, its strategy was the right one.

"Free calls get consumers familiar with the phone and they eventually use it more," he says. "This is far more effective in the consumer market than low-user tariffs, which penalise customers for using the phone."

As evidence of the impact One-2-One has had throughout the Western European cellular industry, Mr Zoldan cites the growth of services targeted at the consumer such as Orange in the UK, the spread of services that offer "free" or bundled minutes, such as Bouygues Telecom in France, and call substitution.

Mr Zoldan believes that innovative charging means mobiles are increasingly becoming the telephone of choice. "People now use mobiles when they would have used a payphone in the past," he says.

However, Mr Paul Ryb, European telecoms analyst at the London merchant bank, HSBC James Capel, argues that an operator can be extremely profitable without needing to target consumers.

"Take Sweden's Europolitan as an example," he says. "It provides service for business customers and is doing very well."

There are some Western European countries that have yet to target the bulk of the population – France, for example, with a penetration of only 3 per cent.

According to Mr Zoldan, penetration rates are entirely a reflection of the way markets are set up. He contrasts France, which, he says, had a poor analogue network and offered no handset subsidies with the UK, where 9 per cent of the population uses mobile phones.

"The UK had good analogue networks, service providers and generous subsidies – hence a penetration rate of 9 per cent," he explains.

Mr Clarke says that Cable & Wireless is already working towards a Universal Mobile Telephone System (UMTS) based on wide-band code division multiple access technology (CDMA) for the future. He sees satellite-based mobile systems as a niche product that is complementary to existing cellular systems in Western Europe.

This view is echoed by Mr Short, who sums up the future in Western Europe as the three Cs: "Change, consumers and convergence".

■ **Asia-Pacific:** by Jenny Walker

Success story with a twist

Analysts fear that additional licences will lead to unhealthy market conditions

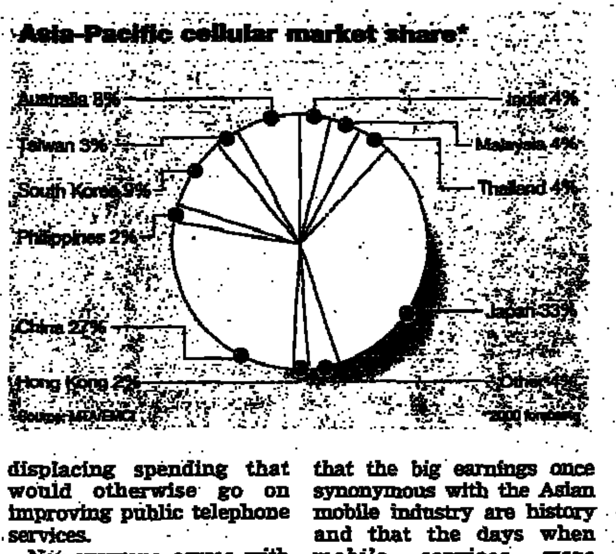
Received wisdom used to be that the bubble would burst for Asia's burgeoning mobile communications markets.

The logic of the prediction was simple: since not everyone can afford mobile phones and so many people already have one, subscriber growth will soon slow.

Yet Asia has a way of throwing up surprises, of proving cynics wrong. Around 8m new people signed up for mobile services in Asia in the first half of this year – almost 40 per cent more than in Europe or North America.

Although phenomenal growth in the wealthy Japanese market will skew this year's figures in Asia's favour, several markets will double their numbers of cellular users before 1997. Indonesia, the Philippines, Korea, India and Japan are all tipped for strong growth next year.

Intensifying competition and falling prices – key factors in the growth of mobile communications the world over – are making their mark on Asia. At the same time, rising personal incomes mean increasing numbers can actually afford a mobile phone, and a long wait for a fixed-line phone (of up to several years in some countries) encourages more and more people to buy cellular handsets.



CIT Research, a UK-based telecoms consultancy, recently declared that the runaway success of Asia's privately-run mobile networks is stifling traditional wireline infrastructure by displacing spending that would otherwise go on improving public telephone services.

Not everyone agrees with this view, but it is one of a number of new theories put forward to explain the rapid changes in Asia's markets.

It co-exists with a belief that the big earnings once synonymous with the Asian mobile industry are history and that the days when mobile services were "licences to print money" have gone. Analysts say that the certainties that made forecasting profitability comparatively easy have been replaced by new worries about the future.

Concern centres on the number of companies that will enter the markets over the coming months. Asian authorities have showered licences on so many new entrants for so many new technologies that forecasting has become bewilderingly confused.

Lack of precedents means that whether Taiwan can support eight new mobile operators or Hong Kong has room for another four is difficult to predict.

Malaysia, with a population of a little under 20m, is not expected to be big enough for seven and the Philippines, where there are plans to offer up to four new licences, already sees cut-throat competition among its existing five operators.

Mr David Riedel of Salomon Brothers believes that the degree of commercial rivalry in Asia may now be unhealthy. "Once competition turns into a bloodbath of cannibalisation and price cutting, it's not good for any of the players," he says.

The problem is that in highly competitive markets, new entrants need to capture market share quickly in order to reach a sustainable size. Cut-throat pricing to establish a niche may seem to make sense initially, but it will impinge on the profitability of all participants.

Recent turns of events in Malaysia and the Philippines have disturbed industry watchers. Operators in these countries rushed to sign up new customers ahead of the competition and are suffering for it now. Malaysia's largest cellular operator, Technology Resources, had to write off bad debts due to non-payment of bills and cellular fraud in 1995, as did both Globe Telecom and Piltel of the Philippines earlier this year.

There are also growing worries about the impact of new technologies.

Many new high-frequency digital personal communications services (PCS) networks are to be launched in the next year to 18 months as well as a number of new fixed-wireless networks. The latter include Japan's hugely successful personal handyphone (PHS) technology.

Analysts have been surprised at how easily some new entrants have snatched market share from existing operators.

"Market share shifts have proved much greater than expected in many cases," says Mr Adam Quinton of Merrill Lynch Singapore, "and market leaders are finding it harder to secure any sustained differentiation."

Merrill Lynch recently coined a new term for those companies able to establish themselves so quickly and easily in new markets: fully competent operators, or FCOs.

An FCO must be a newcomer that "has achieved a strategic position equal in coverage to existing participants with a credible brand and adequate distribution", it says.

There are likely to be quite a few of these in Asia as new entrants begin tapping the consumer market.

One in five Australians (4m subscribers) already owns a mobile phone and China's largest cellular operator, China Telecom, is set to become the world's biggest by the end of the year with 7m subscribers. But it seems that there is plenty more room for growth. The GSM MoU, an industry body that encompasses operators from around the world, says that subscribers should total 80m in Asia-Pacific by 2000, and that this still only represents a penetration rate of 3 per cent.

Not just a luxury: long waits for land-line connections are persuading more and more people in Asia to buy mobile phones Sarah Murray

■ **The US:** by Richard Waters

Farewell to the 'fat and easy' days

The introduction of a wider range of frequencies should benefit the customer

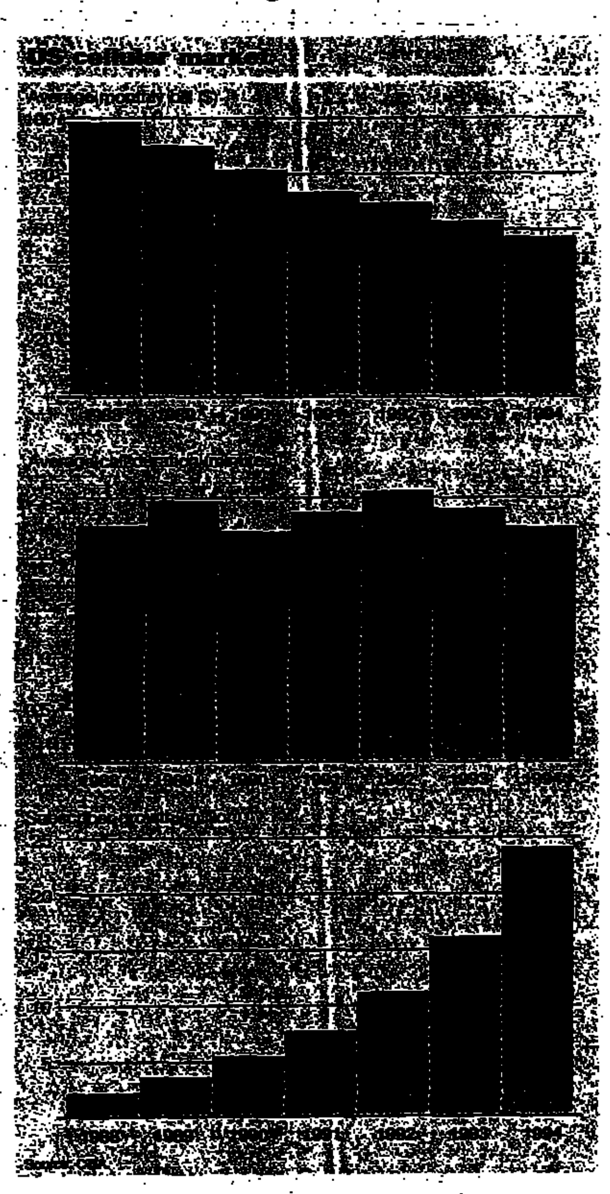
In some parts of the US, 100-foot antennae have been disguised to look like trees. In others, they have stirred anger among locals who complain they disfigure the landscape.

They are the most visible signs of the revolution that has just hit the US mobile communications industry.

Until recently, only two cellular frequencies were available in any given market across the country. The result has been a series of local duopolies, with little real competition on price.

This cozy industry is now being blown wide open. Through a series of auctions of the radio spectrum, the Federal government has sold off the rights to up to six new channels in each local market, all of them at higher frequencies than traditional cellular services. These new mobile services all go by the name of personal communications services, or PCS – whatever the differences in their technical standards.

PCS signals, at around 1,900 MHz compared with the 800 MHz of cellular, have less power and travel shorter distances. Hence the fake trees: carriers must erect many masts in order to receive and transmit signals.



In the early skirmishes that have broken out in this battle for control of the airwaves, the mobile companies have sought to shift attention to price and service, rather than the technical differences of the rival systems. That is just as well: the range of frequencies and standards available would baffle all but the expert. However, the rivalry between technologies could serve to slow the development of the US's mobile telecommunications market.

The potential problem stems from a shift to digital signals as existing cellular services, based on analogue signals, are upgraded to compete with the new PCS companies.

AT&T, the US's biggest cellular provider since its acquisition of McCaw Cellular two years ago, is in the process of converting its analogue network to a digital standard known as TDMA. This is also the standard AT&T will use on the higher-frequency PCS networks it is building: the company was one of the biggest successful bidders in the PCS auctions, and plans to use the PCS blocks to fill in the gaps in its cellular network.

"Customers really don't care about frequencies, whether it's 1900 MHz or 800 MHz," Mr Bob Allen, the company's chairman, said last month, when announcing the upgrade (as a marketing gambit, AT&T has christened all its digital services PCS.)

However, customers of AT&T – or other companies – who roam outside their local area may not find life as simple as this implies. A special handset is needed to pick up both low- and high-frequency signals. Also, the lack of a single digital standard among all companies means that customers of one service may not be able to hook into a rival network when travelling beyond the reach of their own carrier.

Sprint PCS, the joint venture of Sprint and three cable television companies, has championed the use of CDMA, a rival – and largely unproven – standard. CDMA is also turning out to be the technology of choice for smaller PCS companies.

But signals on the two digital standards are incompatible. Nor do they match the GSM standard in wide use elsewhere in the world. This sort of technical incongruity is often frustrating for consumers and adds to cost.

For now, though, the marketing blitz surrounding PCS is likely to provide a boost for the industry as a whole. Price will become an increasingly important weapon in this new fight for market share. That, in turn, should stimulate the growth of the industry.

Even without PCS, the US mobile communication business has been growing fast. According to the industry's trade association, the CTIA, more than 38m Americans had mobile telephones at the end of June, compared with only 18m three years before. The industry's revenues topped $21bn in the latest 12-month period.

Those revenues have been the product of a duopolistic pricing structure that is now unravelling. "Everyone has had it fat and easy," Mr Andrew Sukawaty, chief executive of Sprint PCS, said earlier this month.

Evidence so far, though, suggests that price competition will not be cut-throat in the early days of PCS. Early marketing efforts for the new services have focused more on the quality and range of services available, rather than purely price.

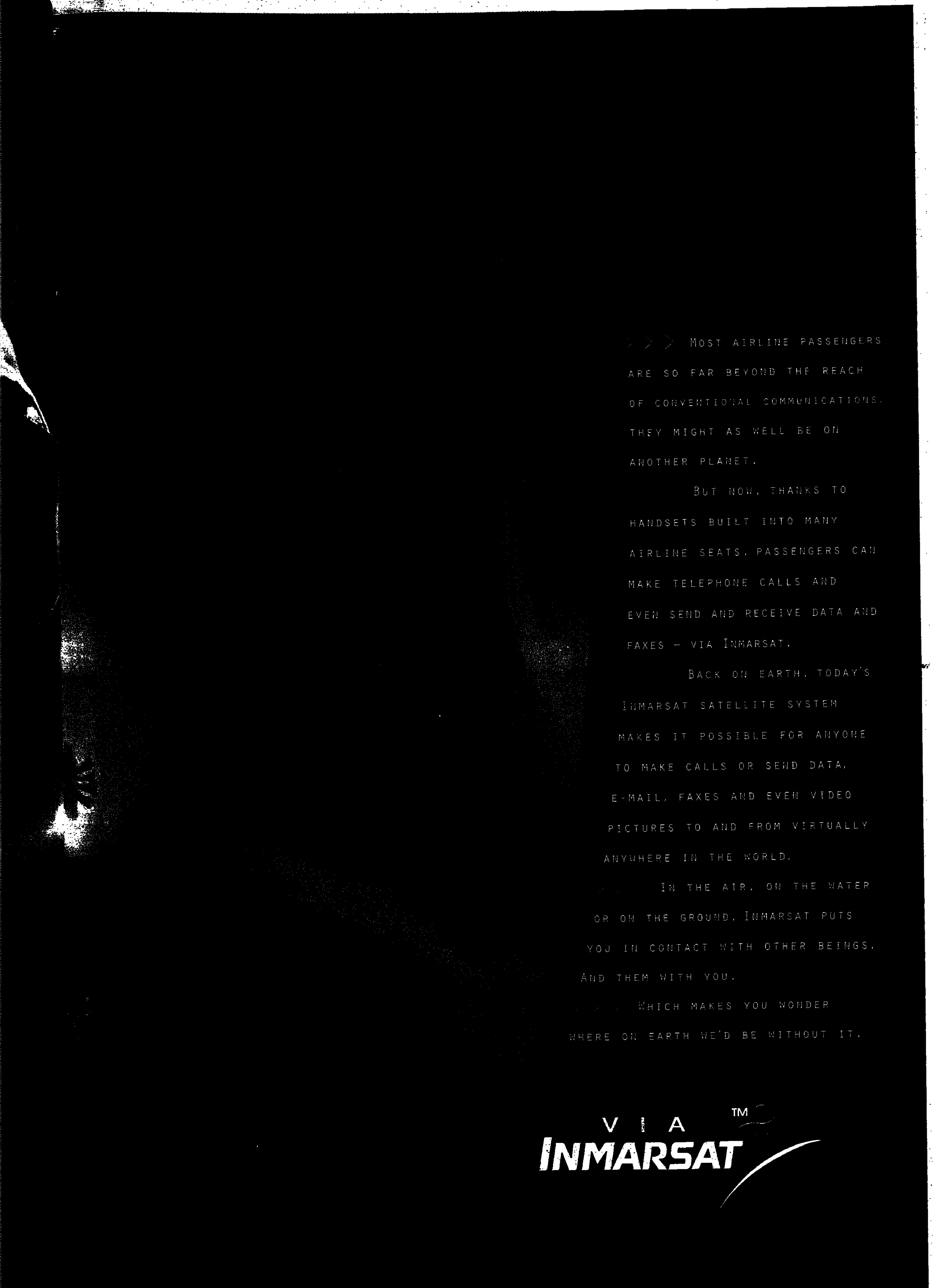
Sprint PCS studied the opening of the UK mobile telephone market before deciding on its own strategy, Mr Sukawaty says. Its conclusion: brand name and quality of service are big considerations in the choice of a carrier.

PrimeCo Personal Communications, which alongside AT&T and Sprint is set to be the country's third national PCS provider, has also tried to avoid a direct confrontation over price. The company, which this month announced a service in 16 big cities, will have a monthly charge which is only 5-10 per cent below cellular. PrimeCo has decided to base its marketing campaign around service quality and ease of use rather than cost.

Much depends on whether consumers are willing to pay a premium for the sort of benefits that have been claimed for PCS – a better-quality signal, more security from eavesdroppers and batteries that last much longer. Also, companies such as AT&T and Sprint hope to prevent price erosion by "bundling" mobile telephone with other services, including long-distance and local calling and Internet access.

Eventually, however, it seems inevitable that price competition will become fiercer. Three of the PCS bands auctioned by the Federal government are considered too narrow to support a high-quality telephone service, and are likely to be used for paging and messaging services. But the remaining three will be more than enough to generate fierce competition in the most attractive markets.

The hope for the companies is that the development of their industry will echo that of the US long-distance business. After that market was opened, prices fell steadily – but call-volumes grew, supporting the growth of new giants of the telecommunciations industry such as MCI and Sprint.


MOST AIRLINE PASSENGERS ARE SO FAR BEYOND THE REACH OF CONVENTIONAL COMMUNICATIONS. THEY MIGHT AS WELL BE ON ANOTHER PLANET.
BUT NOW, THANKS TO HANDSETS BUILT INTO MANY AIRLINE SEATS, PASSENGERS CAN MAKE TELEPHONE CALLS AND EVEN SEND AND RECEIVE DATA AND FAXES – VIA INMARSAT.
BACK ON EARTH, TODAY'S INMARSAT SATELLITE SYSTEM MAKES IT POSSIBLE FOR ANYONE TO MAKE CALLS OR SEND DATA, E-MAIL, FAXES AND EVEN VIDEO PICTURES TO AND FROM VIRTUALLY ANYWHERE IN THE WORLD.
IN THE AIR, ON THE WATER OR ON THE GROUND, INMARSAT PUTS YOU IN CONTACT WITH OTHER BEINGS. AND THEM WITH YOU.
WHICH MAKES YOU WONDER WHERE ON EARTH WE'D BE WITHOUT IT.
VIA INMARSAT™

6 MOBILE COMMUNICATIONS

■ **The Personal Handyphone System:** by Michiyo Nakamoto

Consumer storm that may subside

There are doubts whether the success of Japan's low-cost system will endure

Seasoned visitors to Akihabara, Tokyo's mecca for electronics buffs, are used to bargain prices but even they will have been surprised by the competition this year to sell the small handsets that are the trademark of the Personal Handyphone System (PHS).

PHS phones, which operate on a simplified, radio-based mobile system at cheap rates have taken Japan by storm since their launch in July last year.

The Ministry of Posts and Telecommunications (MPT) expects the mobile phone market to grow 65 per cent to a value of Y3,900bn at the end of March next year.

But demand for PHS, which is the newest among the wireless phone services to be launched, is expected to grow even more and the ministry is forecasting a 360 per cent increase in the market to Y500bn.

The popularity of the service has been such that in the first year since it was started, PHS operators won 2.8m subscribers. The Japanese telecoms authorities, which, together with telecoms operators and manufacturers, supported the development of the system, have high hopes for PHS, which they believe can become a de facto standard for low cost wireless communications, particularly in developing countries.

"The great advantage of PHS," says Mr Sachio Semmoto, a business professor at Keio University's graduate school, "is that unlike competing systems, it is already being used by 3m people."

Mr Senmoto, who helped develop the system, believes that the lower costs of building PHS infrastructure make it an ideal system for developing economies.

Already eight countries outside Japan, including Thailand, Indonesia, Argentina and the United Arab Emirates, have begun building the PHS infrastructure or already have the system, while another three have decided on using the standard. At least six more, including China, India and South Africa, are considering introducing it.

The system's success in these countries would be ground-breaking for Japan, which has never before developed a de facto standard in the telecommunications field.

Japan's experience in the past year does suggest that PHS has great potential. Although initially the system was plagued by technology problems, and it has the disadvantage that it cannot be used in moving vehicles, PHS has without a doubt helped greatly to expand the market for wireless communications.

The greatest appeal of PHS is its low cost. While conventional cellular phones were fairly slow to take off in Japan, PHS was an instant success. This is in large part because operators such as DDI Tokyo Pocket Telephone and NTT Personal have given retailers substantial incentives to reduce the price of the terminal units and increase users.

As a result of that strategy, handset prices, which were initially as high as Y30,000 to Y40,000, plunged rapidly into the triple-digit range. Some handsets are virtually given away.

Add to that the fact that the initial subscription rate of Y7,300, monthly charges of Y2,700 and a call rate of Y40 per three minutes, make the cost of using a PHS service less than one-fifth the cost of owning a conventional cellular phone, and it is no wonder that PHS has been such a success in Japan.

There is, however, a significant downside. The success of the system has not, however, led to profits for the service providers.

Mr Tadao Kobayashi, senior vice president of NTT Personal, one of the largest PHS service providers, has said the company is not expected to make a profit until fiscal 1999.

DDI Pocket, which has the largest share of the PHS market, is forecasting a loss of Y88bn in the year to the end of March. The company's president has expressed concerns that it may be difficult to achieve its initial target of turning in a profit in the third year.

One of the principal causes of the PHS operators' difficulties is the fact that most of them have to pay huge infrastructure usage and access charges to NTT, Japan's dominant carrier, which has a virtual monopoly over the local network.

According to DDI Pocket, as much as half the price of a PHS phone call is paid out to NTT to cover the cost of using the carrier's digital network. Last year, DDI Pocket paid NTT Y17bn in such fees.

Some analysts wonder whether PHS will survive long enough to enjoy fully the benefits of its success among the Japanese public.

Mr Makio Inui, industry analyst at Salomon Brothers in Tokyo, believes that PHS's main advantage – low cost – is one that it will not be able to hold on to for long.

As their penetration increases, all cellular phones are likely to come down in price significantly, Mr Inui believes. Given that cellular rates have fallen over the past few years and variable tariff packages have been introduced, this means PHS will lose its cost advantage.

Other observers are more optimistic than Mr Inui, citing the support PHS has from both industry and the telecoms authorities as one reason why it is unlikely to disappear – at least in the near future.

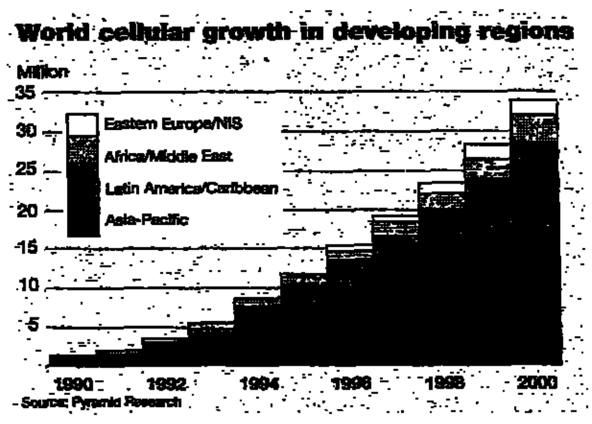
PHS has the strong backing of the MPT. The handsets are made by companies such as Sony and Matsushita, while the system's operators are mostly subsidiaries of Japan's leading telecoms carriers. "The biggest consumer electronics companies support the system; the biggest telecoms operators are running the networks. They will make sure that it will work," says Mr Eric Gan, industry analyst at Goldman Sachs in Tokyo.

Moreover, PHS is not solely dependent on its low cost for survival. It also has the huge advantage of having a firmer foothold on the information superhighway than many other cordless phones. "PHS will develop for multimedia communications because it has greater capacity and is very fast," says Mr Senmoto at Keio University.

With a user base of nearly 3m already, there is no doubt that PHS will co-exist with, rather than be driven out by, its rivals, Mr Senmoto believes.

She could grow up to use a different phone: Indonesia is one of eight countries that have adopted the infrastructure for the Personal Handyphone System

World cellular growth in developing regions



Source: Pyramid Research

■ **Egypt:** by Sean Evers

High prices mar links to the Sphinx

The launch of Egypt's cellular system has met both joy and exasperation

After a prolonged and tortured bidding process, Egypt's new Global System for Mobile Communication (GSM) went live on November 7, but high prices have driven away many would-be subscribers.

"The Madness of the Cellular Phone" is how Cairo's leading daily newspaper heralded the long-overdue delivery of the mobile system.

In a country where it can still take several years to have a land-line connected to a home or an office the sense of irritation is understandable.

Even so, the introduction of the cellular phone network is the climax of a 20-year process that has seen the reliability of telephone services in Egypt significantly improve. There are now some 4m telephone lines in Egypt, and Arento, the national telecom organisation, is in the process of adding a further 500,000 lines.

At the heart of delays to the cellular network have been political sensitivities. Accustomed to monitoring and controlling all communications, the Egyptian government was very wary of the unknown entity of wireless technology. These security concerns were a principal cause of the cancellation of two bidding rounds between 1992-94.

Frustration at the delays was compounded by the knowledge that a huge market awaits for cellular services. "We have been waiting for this for 10 years. People are going crazy about this product," says Mr Essam Shadid, a partner with Management Development Systems, a communications consultancy.

Consumer enthusiasm was foreshadowed by the demand for car phones a decade ago. There were still 10,000 people on the waiting list for car phones after 7,500 units were installed in Egypt in 1985. They sold for over E£30,000 on the black market before the arrival of the mobile phone.

After the cancellation of the 1992 bidding process in 1993, the government abandoned its initial plan for a private sector operator, and finally sealed a deal earlier this year with the French-based telecommunications giant, Alcatel Telecom, to create the required network.

The Egyptian government accepted Alcatel's extremely cheap bid of E£63m ($18.5m) to supply a 70,000-line cellular phone network for Cairo, Alexandria, Luxor and Aswan. The contract included the possibility of extending the number to 200,000, depending on demand.

"We will not make any money on this initial contract, but Egypt is a strategic market for us. We have been here for 25 years, and we were determined to continue," says an Alcatel executive. "With 60 million people, the country has the potential for exponential growth, and it is also the crossroads for linking communications between south east Asia and Europe."

Although Alcatel had been serving the Egyptian telecommunications sector since 1974, its offer won purely on price through a closed-envelope bidding process, ahead of Ericsson at E£85m, Motorola at E£100m and Nokia at E£145m.

In contrast to the tender process, construction of the system has been swift. However, the network is still experiencing serious teething problems.

Nor is the new technology yet free from controversy. This is because the state-run telecom monopoly has set extremely high prices for the service: handsets start at E£2,000, equal to Egypt's annual per capita income.

In addition to installation and monthly fees, a subscriber will be charged 60 piastres for every minute he or she uses the mobile phone – compared with 15 piastres for every three minutes on a fixed-line phone. A non-subscriber who calls a mobile telephone will also pay 60 piastres per minute.

Mr Peter Gopfrich, director of the German Arab Chamber of Commerce, has criticised the Egyptian government for treating the cellular phone as a luxury item and not as a practical business tool. However, he is optimistic that the government's strategy will be corrected. "Unlike the not-so-distant past, the Egyptian government is now willing to acknowledge wrong decisions and correct them within months," he says.

Despite the high costs and a lack of marketing, 35,000 people are now brandishing their mobiles across Cairo. Although this is only half of Arento's target, it has already netted the state monopoly E£70m.

■ **Health risks:** by Hugh Carnegy

Scare casts shadow over sector

Researchers have yet to invalidate the link between mobile handsets and cancer

The uncomfortable question of whether mobile phones damage your health is casting a shadow over the cellular industry.

Claims that mobile handsets cause headaches and nausea and even brain tumours have prompted a series of research projects by institutions around the world.

No firm conclusions have yet been drawn. Most researchers say there is little real evidence to suggest serious cause for concern for mobile telephone subscribers. But some scientists are sufficiently worried to recommend curtailed and careful use of mobile handsets.

The focus of concern is the radio transmitter in every mobile phone. Like every radio set, it emits electro-magnetic signals – or microwaves – in order to communicate with the base station receiver that links the individual phone to the network.

Although the power output levels are low, at about one watt or less compared with 600w or more in a microwave oven, some radiation is absorbed in the head from the telephone's antenna when a call is made.

The biggest fear is that the microwave transmissions could trigger cancerous growths, or conditions such as Alzheimer's disease and asthma, by affecting cell structures and development in the brain. A study at the University of Washington in Seattle showed that microwave emissions similar to those from mobile phones damaged DNA in the brain cells of rats in a way that could lead to cancer.

In Europe, a study at Vito, the Flemish Institute for Technology Research in Belgium discovered no direct effect on DNA, but found prolonged microwave exposure could increase the potency of chemical carcinogens in human blood cells.

Vito said its findings, based on radiation doses significantly stronger than normal mobile phone use, did not provide grounds for saying mobile phones were dangerous. But they did add to the opinion that more research is needed to pin down just what the risks, if any, may be.

Research under way includes a $3.3m, five-year study by the World Health Organisation into all aspects of health concerns surrounding a range of devices emitting electrical and magnetic fields, including mobile phones.

The European Union has set up a panel of experts to collate evidence on mobile phone use and recommend further investigation. Meanwhile, in the US, the Wireless Technology Research group, a body indirectly funded by the telecoms industry, is adding to its work on the subject by itself funding a two-and-a-half-year, $400,000 study by the American Health Foundation of the possible risk of brain cancer from mobile phone use.

Another big project is an epidemiological study of 17,000 mobile users in Sweden and Norway – the countries with the highest mobile phone use per head of population in the world. It is looking at the correlation between mobile use and a range of symptoms, including headaches, rashes, nausea and even memory lapses.

Until these studies are completed, a sure answer on the potential effect of mobile phones on health is impossible to give. The equipment manufacturers are sure their products will get a clean bill of health. But until they do, the shadow will remain.

The global market: by Richard Handford

Lines start to converge

As liberalisation continues, cellular and fixed-line operators are likely to ally

The world's global cellular operators such as AirTouch, Cable and Wireless, US West and Vodafone must face up to new challenges if they are to maximise the returns on their international licences.

The companies, which have built up formidable portfolios of cellular licences outside their home markets since the late 1980s must look for new opportunities over the next few years as the number of available new licences runs out.

Developing a strategy to safeguard long-term interests will be vital.

"We spend a fair amount of time thinking about it. The wireless business is a small piece of the overall telecoms pie," says Mr Arun Sarin, president and chief executive officer of AirTouch International.

AirTouch has been involved in consortia that have won 10 licences outside its home US market over the past few years, including stakes in operators in Germany, Italy and Japan. Vodafone is involved with groups in 11 countries, including France, Germany and South Africa.

Companies linked to C&W hold 29 foreign licences in countries that include France, Singapore and Hong Kong, although many have been acquired through fixed-network licences already held by the company rather than through competitive bids. US West holds stakes in UK, French and many east European cellular licences.

Now that the era of licence issuing is coming to an end, leading operators are initially looking to increase their stakes in the licences they already hold. Short-term investors such as merchant banks are often the partners willing to sell for a price.

Operators will try to expand further the existing cellular market by finding ways of signing up more consumers at the bottom end of the market and extract more revenue from more lucrative business users.

To attract more consumers on to their networks, an increasing number of operators, particularly in Europe, are introducing initiatives such as pre-paid calling cards for those customers who do not want, or cannot afford, to take out a full-time contract with an operator.

Such a service should recruit more customers who previously were either nervous of the commitment of purchasing a cellular phone or were not considered sufficiently credit-worthy.

Operators will also be working harder to persuade business users to take advantage of the increasing digitalisation of cellular networks to use their phones to send and receive data, fax and even Internet messages, as well as voice traffic.

Other operators could also follow the lead of Vodafone, which earlier this year set up InterPlan, an international organisation that offers a single point of sale for multinational cellular customers. All are aware of the synergies created by holding a number of licences in different countries.

"In a global business you enjoy the benefits of common procurement of staff and equipment," says Mr Greg Clarke, chief executive, mobile, at C&W.

But cellular operators are also facing the challenge of re-defining their strategy as governments liberalise their telecommunications markets. The pressure is especially acute in Europe where European Union (EU) rules to introduce full competition come into effect on January 1, 1998.

Cellular operators will increasingly find their business overlapping with that of fixed network operators. Under EC rules, they are being offered freedom to choose how they carry their own international traffic, previously the domain of the incumbent monopoly carrier. Further regulatory freedom is likely to mean cellular operators will be able to carry their own long-distance traffic and directly connect their networks with their counterparts in other countries.

Common ownership across a number of markets puts leading cellular operators in a strong position to form alternative international telecommunications infrastructures that could carry traffic other than that generated by cellular users.

Cellular operators could also begin offering cheap wireless services that compete with existing fixed services. This is likely to happen as they are awarded additional radio spectrum from national governments. Europolitan, the Swedish cellular operator in which AirTouch is a shareholder, and Vodafone in the UK are both planning to offer such services in the future.

This means cellular operators will find themselves in head-to-head competition with the established fixed-network carriers that also have their own cellular businesses. Cellular operators will need to seek strategic alliances with newly licensed fixed carriers to match the incumbent carrier, particularly in areas such as broadband services.

Mr Sarin foresees "an increased co-operation between mobile and new fixed carriers", with the possibility of "an exchange of assets".

The benefits for cellular operators from bringing together fixed and cellular services into a single package are expected to scotch recurring rumours of spin-offs of overseas interests by AirTouch or Vodafone or, in the case of C&W, a spin-off of its cellular interests from the parent company.

Richard Handford is a senior reporter on the FT newsletter, Mobile Communications

Top 20 World cellular markets

By subscribers (January 1, 1995)

	System	Launch	Subscribers (m) 1/1/95	Subscribers (m) 1/1/94	Yearly growth %	Pntn* %
[illegible]						
Japan	Various	1979	[illegible]	2.008	93.77	3.13
[illegible]						
Germany	Various	1985	2.476	1.776	39.45	3.07
[illegible]						
Canada	AMPS	1985	1.714	1.285	33.39	6.16
[illegible]						
China	Various	1987	1.618	0.644	151.24	0.14
[illegible]						
South Korea	AMPS/CDMA	1984	0.960	0.472	103.54	2.20
[illegible]						
Thailand	NMT-450/AMPS	1986	0.840	0.456	84.21	1.45
[illegible]						
Brazil	AMPS	1990	0.662	[illegible]	[illegible]	0.43
[illegible]						
Taiwan	AMPS	1989	0.600	0.530	13.21	3.00
[illegible]						
Denmark	Various	1982	0.509	0.316	[illegible]	9.86
[illegible]						
Hong Kong	Various	1985	0.445	0.291	52.92	7.67

Source: [illegible]   * Number of subscribers per 100 inhabitants

The manufacturers: by Damian Peachey

Giants rule the world

Falling prices and higher demand mean the future belongs to the big suppliers

Think of competition in mobile telecommunications and you will probably think first of the struggle between cellular operators such as Vodafone and Orange to attract customers to their networks. Running parallel to this rivalry, however, is that between equipment manufacturers.

Both the cellular handset and infrastructure markets are dominated by a few companies. The world market for handsets is controlled by three companies: America's Motorola, Sweden's Ericsson and Finland's Nokia. These companies are also leading suppliers of infrastructure – the base stations, antennae and microwave towers that make up a cellular network – together with companies such as Siemens AG of Germany and America's Lucent Technologies, formerly AT&T Network Systems International.

Experts believe the mobile services market will look very different by the turn of the century as competition leads to further price falls, and technological advances create both more opportunities and greater challenges. Will the same be true of the equipment market?

GSM (Global System for Mobiles) is presently the dominant cellular technology worldwide, and looks set to remain so for some time. GSM is a digital standard working on the 900MHz frequency based on Time Division Multiple Access (TDMA) technology. Today, there are more than 70 GSM networks worldwide, from Iceland to Saudi Arabia. "Out of a total of 300m mobile subscribers in the year 2000, 100m will be using GSM," says Mr Mike Short, director of international affairs at the Slough-based UK operator, Cellnet.

The digital cellular standard was developed jointly by a number of European manufacturers, including Ericsson, Nokia and Siemens. According to Ms Anita Farrell, telecoms equipment manufacturer analyst at Merrill Lynch in London, this explains European pre-eminence in the global GSM terminal market.

"The fact that GSM is a European standard gave European manufacturers a head start," she says. "GSM was very good for manufacturers. They could invest without fear because they knew it would sell."

Analysing the competition between the manufacturers reveals something of a game of swings and roundabouts. Mr Adam Zoldan, an analyst at the telecoms consultancy, Dataquest, says that Nokia is the world leader in sales of GSM phones and can also boast that its best-selling 2110 GSM handset is the most profitable mobile terminal in history but Motorola is the world leader in analogue handset sales.

Analogue mobile non-digital technologies such as TACS, NMT, AMPS and RS2000 still have more subscribers than GSM, even though European sales of analogue subscriptions are being outstripped by those of GSM, which can carry more data services.

Motorola is the leading supplier of terminals to America's AMPS (American Mobile Phone Service) cellular systems. However, it has been badly affected by a slowdown in growth of subscribers on the various networks. "Motorola is hit doubly hard by a fall off in handset sales because it not only makes the phones, but the chips inside them as well," Ms Farrell says.

Motorola is hoping that its new StarTac handset will help it capture GSM terminal market share from its rivals. The light and compact phone has met with critical approval, but Mr Zoldan feels it will struggle.

"The StarTac is retailing at over $1,600, which is more expensive than the Nokia 9000 – a fully integrated voice and data product," he points out.

Several companies are challenging the leading handset manufacturers at the lower end of the market. Mr Zoldan cites Japan's Sony, Panasonic and Mitsubishi, Europe's Philips, AEG and Nortel-Matra and a number of Korean companies such as Maxon. Both Mr Zoldan and Ms Farrell doubt whether these companies will make much of an impact.

Ms Farrell estimates that the price of digital phones is falling by 15 per cent annually as production methods advance and high volumes create economies of scale. Nineteen ninety five was the first year that the supply of digital phones outstripped demand.

"It's difficult to compete with the big three because without their level of volume, you cannot keep your costs down," Ms Farrell says.

Increased choice of handsets or not, equipment manufacturers will have no option but to move into GSM infrastructure as operators worldwide choose GSM as their preferred technology.

According to Ms Farrell, Ericsson dominates the world's GSM infrastructure market with 40 per cent of total business. As with terminals, margins are falling and volumes are rising. However, the exponential growth of the market means there are numerous opportunities for the many infrastructure manufacturers.

One such is mobile data. Mr Short estimates this will be responsible for 30 per cent of traffic on GSM networks by the year 2000.

"Mobile operators are going to push data because research shows that users do not count data transmission on a mobile network as a telephone call, and as a result do not tend to count the number of minutes they're using," Mr Zoldan says.

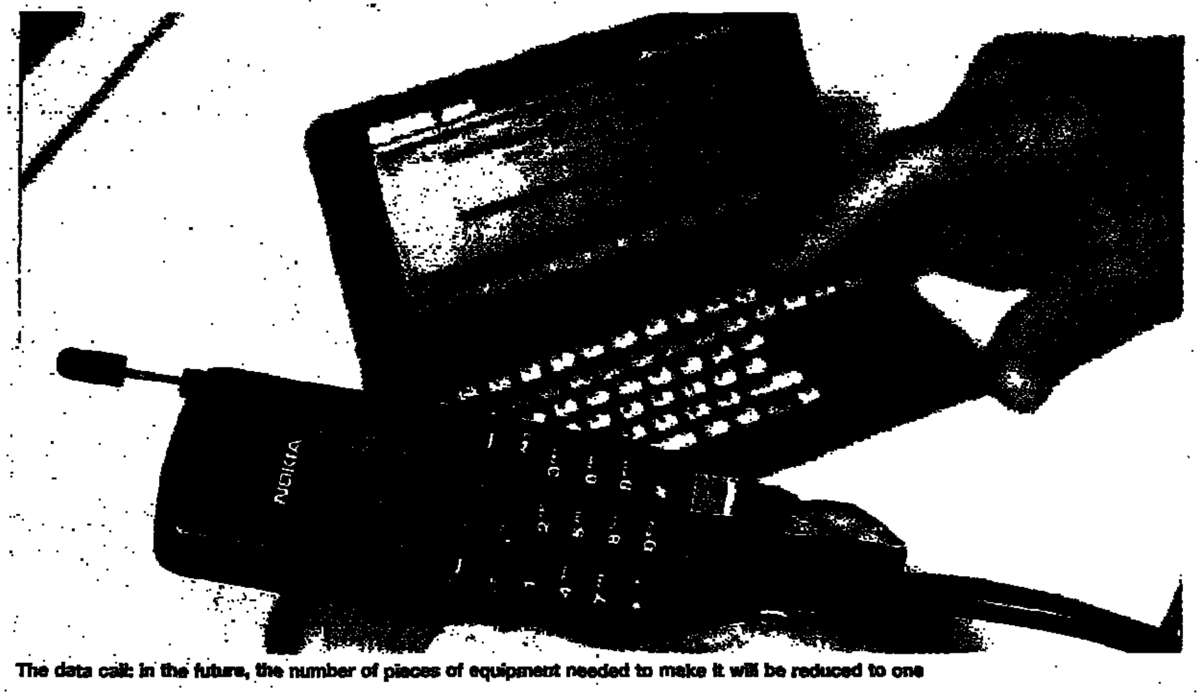
An explosion in mobile data will lead to increased demand for data cards, data-capable handsets such as the Nokia 9000 and infrastructure to cope with much increased data traffic on the networks – good news for manufacturers of both terminals and infrastructure.

New digital cellular technologies such as CDMA (Code Division Multiple Access) and the GSM derivative DCS 1800 will also boost handset and infrastructure markets.

CDMA technology was originally developed for the US military and is heavily backed by US manufacturers of mobile equipment such as Motorola. Sprint Telecom Ventures, the largest holder of PCS (Personal Communications Systems) licences in the US, has chosen CDMA technology for its networks. US companies are likely to benefit most from CDMA's success: the only European interest so far in the system is from Nokia, which is planning to manufacture CDMA handsets.

A number of DCS 1800 networks already exists in Europe, such as Orange in the UK and Bouygues Telecom in France. The cells in the network's honeycomb structure are much smaller than those in GSM and can therefore support more users. DCS 1800's supporters also say it offers superior call quality and better coverage in urban areas. The compatibility between GSM and DCS 1800 has alerted manufacturers to the potential of "dual-mode" handsets, where the user can switch between GSM and DCS 1800 networks. The first models will appear later this year.

The existing equipment giants are the companies likely to benefit most from these changes to the services landscape: only they have the production methods and low costs to make money from the narrow margins in these areas.



The data call: in the future, the number of pieces of equipment needed to make it will be reduced to one

Mobile data: by Kris Szaniawski

The office close to hand

More users are likely to want handsets that provide access to faxes and e-mail

The market for mobile data, which, in theory at least, allows customers to hold the office in the palm of their hands is set for rapid expansion.

That more people will want access to facilities such as fax and e-mail from their mobile phone handsets is seen as inevitable. Although there are currently no more than 2m users worldwide, it is predicted that the number will grow to 10m over the next five years. A significant proportion of those will be in the UK, which, with a mobile data user base of more than 100,000 at the beginning of the year, is the second biggest market in the world after the US (1m users).

While most observers agree that a data explosion is imminent, there is less certainty over which technologies are likely to support future growth. Many emphasise digital cellular networks and the fast growing GSM digital cellular standard, but there is a multitude of other technologies – analogue cellular networks, dedicated data networks, satellite networks and private and public access mobile radio networks (PMR and PAMR).

According to the consultants, Strategy Analytics, digital cellular networks will account for more than 70 per cent of wireless data users by the end of the century, and PMR and PAMR networks only 6 per cent.

The packet-switched radio data market is relatively small because the operators concentrate on providing data-only services to customers who do not require voice services.

Digital cellular, on the other hand, has the attraction of being able to offer a seamless combination of voice, data and other value-added services such as fax. Sending a substantial amount of data over cellular networks, however, can still be complicated.

According to Mr Ken Blakeslee, director of business development for wireless at the Canadian manufacturer, Nortel, the complexities of the interface still deter most consumers from trying to do much more than make a straight call over their handsets.

Using data can be cumbersome and off-putting. Customers transmitting data over the cellular networks still usually have to make use of three pieces of equipment: a cellular handset, a laptop computer and a data card to link the other two together.

An increasing number of manufacturers are convinced that an integrated solution in the form of some kind of personal communicator must be found.

Personal communicators have been around for a number of years, but their first incarnation – personal digital assistants – were judged to be bulky, expensive and not very user-friendly. They also tended to be marketed as processors first and foremost.

By comparison, the second generation personal communicators now beginning to appear on the market – such as the Nokia 9000 launched in the UK over the summer – are being marketed primarily as communications devices. The Nokia 9000 appears to be selling well, although tellingly many users still carry a mobile handset when they want to travel light.

Placing the emphasis on communications applications will be the way forward according to Ms Justine Heys, a senior analyst at Yankee Group Europe, and the key applications are likely to be electronic mail, fax and the Internet.

Companies such as Ericsson, NEC, Alcatel/Sharp and Nortel are all working on their own personal communicator or smart phone products. The use of common operating systems such as that developed by the US software company, Geoworks, will also drive down costs. A lack of industry standards has hindered the development of personal communicators.

Nortel's Orbitor project, for example, is concentrating on improving the user interface. Due to be launched next year, the Orbitor weighs not much more than a normal handset and has a keypad that slides down to reveal a double-size touch-sensitive display that allows for easy access to a wide variety of functions.

"The first challenge is to deliver devices that simply make existing services such as messaging, directories, voicemail and caller identity more intuitive," says Mr Blakeslee.

The phone will be light and easy to use because most of the intelligence is located elsewhere in the network.

Part of the problem with accessing data over existing systems has been that the software applications being used are not designed with low-capacity mobile data networks in mind. Increasingly, the industry is coming to realise that smart networking can provide a solution to many problems. By transmitting only the information that is necessary, such as the amendments to a file rather than the whole file itself, bandwidth becomes less of a bottleneck.

Other ways of making cellular data transmission simpler and more attractive may already be with us. Many industry commentators point to the as yet unfulfilled potential of short message services (SMS). SMS, which allows text or data messages of up to 160 characters to be sent to or from a GSM phone or computer, could be used to complement more sophisticated services. For example, users can be notified by SMS the e-mail messages or faxes have been sent to them elsewhere on the system.

Kris Szaniawski is a senior reporter on the FT newsletter, Mobile Communications

■ **Satellite services:** by Alan Cane

Clearer path for the pioneers

Obstacles to the development of GMPCS services are slowly being removed

The focus of attention in plans to provide worldwide personal communications via satellites has shifted from technical and financial issues to those of policy and regulation.

And not a moment too soon for the pioneering operators: the first of the satellites to support these advanced new services will be launched next year.

In late October, the International Telecommunication Union (ITU) devoted its first Policy Forum – a vehicle for member states to exchange views and information about telecoms issues without prescribing regulations – to the questions raised by what are now described as "Global Mobile Personal Communications by Satellite (GMPCS)".

These are satellite systems that will allow individuals to make phone calls at a reasonable price from any point on the earth's surface using a hand-held telephone.

Relatively low cost and portability are what distinguish GMPCS from today's bulky and expensive satellite communications systems. GMPCS operators are promising dual mode handsets (which can switch between satellite communications and terrestrial cellular networks) costing little more than conventional mobile phones – say $1,000 to $3,000 – and offering call charges from under $1 a minute to $3 a minute.

The ITU meeting produced a memorandum of understanding aimed at removing obstacles that threaten the free movement of handsets for the new services. It aims, for example, to relax customs controls that ban or impose heavy taxes on the use of these phones across national boundaries.

It was a limited achievement but will go some way towards reassuring investors in satellite ventures. The technical, political and financial risks are enormous; the consortia involved are raising billions of dollars in equity and debt to finance projects whose commercial viability will not be clear until the satellites are in place.

The likely demand for GMPCS services, for example, is unquantified. Nobody knows how many operators the market can bear but it is certainly fewer than the number preparing spacecraft for launch.

The main concerns are Iridium, a consortium led by Motorola of the US, GlobalStar, in which Loral Space and Communications, also of the US, is the leading shareholder, ICO Communications, backed by Inmarsat, the pioneer of satellite communications and Odyssey, led by TRW, the US aerospace group.

While there are differences in the technology used by each consortia, the principle is the same. Moving satellites in medium- or low-earth orbit (Meos and Leos) will receive and transmit telephone calls from ground stations and hand-held phones. The Iridium project further envisages transferring calls between satellites.

There are also plans for "Little Leos", satellite systems designed specifically to provide low-cost, non-voice, basic communications services such as two-way position determination and short messages. These low-cost systems require fewer satellites than voice services and will almost certainly be the first low-earth orbit services.

A further project, Teledesic, in which Mr Bill Gates of Microsoft and the US mobile pioneer, Mr Craig McCaw, have interests, is designed for broadband data services – a sort of Internet in low-earth orbit.

But, as Mr Olof Lundberg, ICO chief executive, points out, the political issues the consortia face are at least as important as the technical ones.

Mr David Leive, telecoms specialist with the Washington Law firm Latham and Watkins, summed up the dilemma facing operators and regulators in a keynote address to the ITU: "Many national policy makers are undecided about how to regulate the new systems knocking at their doors. But they know they want the benefits.

"The GMPCS system operators know they want to establish their systems in as many countries as possible and to establish them as soon as possible. They also know that they need a sufficient return to pay for their enormous investments, and to cover the risks of building and deploying their systems. Either way, both want to make sure the service is available soon."

The problem is that satellite services of this kind, designed for a mass rather than a specialist market, are new and unfamiliar. No international regulatory structure yet exists. Regulators in some countries are concerned that operators could use the satellite system to bypass the terrestrial network.

Many developing countries derive a significant part of their balance of trade revenues from high-priced long-distance and international telephone calls.

Mr Sayyed Gharazi, the Iranian telecoms minister, typified the response: "We should all agree," he said, "that the utilisation of GMPCS will not lower the utility of existing public switched network systems but only complement them."

In a related move, the US operators of satellite services have softened their opposition to a global accord to liberalise basic telecommunications, bringing closer the possibility of a deal being concluded through the World Trade Organisation early next year.

The WTO had been hopeful of a deal by last April but the satellite operators, concerned that they could be excluded from key national markets, objected to the terms of the agreement. It was a principal contributor to the breakdown of the talks.

At a meeting between the operators and trade negotiators in October, however, it became clear that the operators would settle for more modest market access conditions than they had originally demanded, thus opening the way for a global agreement.

The global village: satellite-based wireline kiosks already offer links in remote areas

■ **New technology:** by Joia Shillingford

Mixed reception

Changes to cellular equipment have met with some scepticism

Phones that are compatible with more than one network and base stations that are environmentally friendly are among the technological advances that are changing the industry. In each case, however, the transitions are unlikely to be smooth.

Mobile phone handsets that can work with more than one service have been slow to take off. These handsets – known as dual-mode – come in various guises.

Vodafone is talking about introducing phones in Australia that can switch between the digital mobile standard, Global System for Mobile (GSM) and satellite. This would mean that users could always make calls, without Vodafone having to erect lots of base stations in remote areas.

Another, much talked about, possibility is handsets that combine GSM with Digital Cordless Telephony (DECT), one of the standards for enabling people to use cordless phones in the office or at home. The idea is that users would have a single phone that would switch to DECT when they were in the office, allowing them to use the standard phone network.

In the US, there are also some handsets that can cope with both the older-generation analogue system and digital mobile networks.

In Europe, the Canadian telecoms company, Nortel, thinks that dual-band handsets (same standard; different frequencies), combining GSM and its cousin, the Personal Communications Network standard (PCN), have a future.

However, a number of factors is currently slowing the take up of dual-mode handsets. First, the phones are quite large, though getting smaller. Second, they are likely to cost more than standard mobiles because the potential market is smaller. Third, they are complex to build.

Notwithstanding this, Mr Hubert Tardieu, head of telecoms at the European technology company, Sema, believes that once DECT becomes better established in the office, more GSM/DECT handsets will start to appear. "GSM is still very expensive, so a dual handset that lets users take advantage of cheaper wire-line calls from the office, will do well," he says.

"Motorola are betting on that and also Sagem of France, and Alcatel is definitely working on a dual-mode handset," he adds. "It is technically difficult to capture two kinds of mobile signal, but personally, I am betting that it will succeed."

In Sweden, an Ericsson GSM/DECT phone is being tested in a trial involving at least 5,000 customers of telecoms operator, Telia. When Ericsson gets the results of the trial in a few months' time it will decide whether to produce dual-mode handsets commercially.

Mr Pelle Bengtsson, information manager at Ericsson Radio Systems, says there is more than one way of cutting the cost of mobile-phone calls made from the office. Another is for the mobile operator to charge a low tariff for calls made from the cell nearest to the mobile user's workplace.

Coinciding with these changes to handsets are those to mobile phone base stations, which are needed for the reception and transmission of cellular signals.

Although now available in more compact forms, base stations are still controversial. The Department of Environment (DoE) introduced a code of practice in the spring in response to a growing number of complaints that base stations deface the countryside. But Mr Tony Burton, head of planning and natural resources at the Campaign for the Protection of Rural England (CPRE), says it does not go far enough.

"The spread of masts is now reaching more open countryside – one is proposed for an area of natural beauty on the Suffolk/Essex border. A mast near Andrew Lloyd-Webber's estate in Berkshire has also provoked concern from locals and from the composer himself," Mr Burton says.

Unless they are to be erected in areas of special protection, masts/base stations that are under 15 metres in height do not require planning permission.

The former environment minister, Mr Tim Yeo MP, has debated the issue in parliament. And Mr Burton is hoping that when the DoE meets later this month, it will decide to apply normal planning controls to the siting of base stations.

He also hopes that where it is possible for two network service providers to share a mast, new planning laws will compel them to do so.

At present, the planning policies relating to base stations are biased in favour of the telecoms industry. Appeals against the location of base stations tend to fail.

In cities, it is often possible to position the new, more discreet base stations – in which the antenna is integrated into the front of a box shaped like a flat television – on the inside or outside walls of offices. Companies making small base stations include Ericsson, Nokia of Finland and Nortel (for PCN networks). These flat antenna panels can also be mounted on poles.

Mr Jan-Eric Stjernvall, product manager for GSM base stations at Ericsson, says miniaturisation has been possible because of high demand for extra capacity: base stations in urban areas can be smaller because there are lots of them.

But it is not always possible to site the smaller base stations in remote areas. "The technology you can use depends on where you are," says Mr Burton.

LONDON SHARE SERVICE

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MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER INVESTMENT TRUSTS

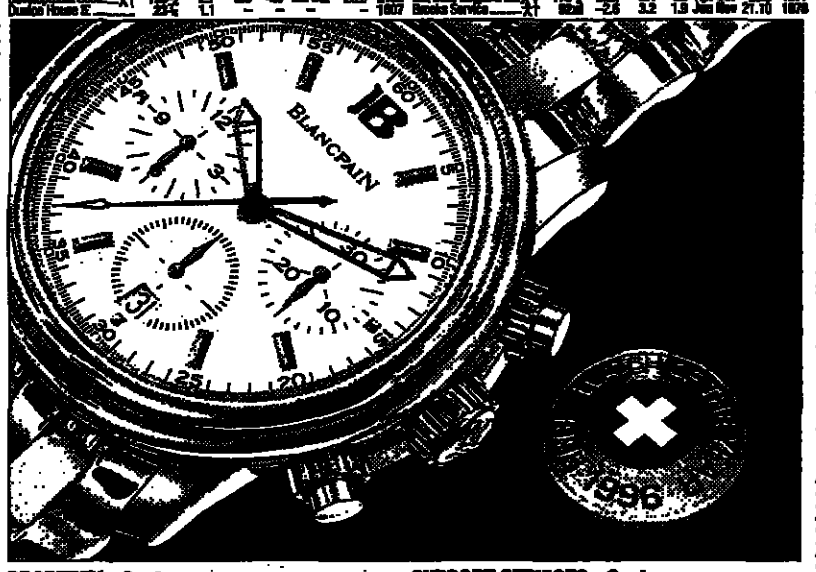
INVESTMENT COMPANIES

LEISURE & HOTELS

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY



PROPERTY - Cont.

PAPER, PACKAGING & PRINTING

RETAILERS, FOOD

RETAILERS, FOOD - Cont.

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		220¼	-1.2	Q545c	♦	May Oct	2.9	–
Barlow		85¼	-2.5	Q105c	♦	Jan Jul	17.6	–
Gold Flds Prop R		122½	-.9	Q80c	1.5	Mar Sep	28.2	–
MK Props		82	.....	Q83.8c	–	Mar Sep	9'95	–
SASOL		845	.....	Q78c	–	Oct	9'93	–
SA Brews		215½	-.3	Q280c	♦	Jul Dec	3.6	4113
Standard Bank		221⅛	0.5	Q254c	3.1	Sep Mar	–	–
Tiger Oats		709	.....	Q132c	♦	Jan Jul	10.6	–
Toyngaat-Hulett		728xd	3.3	Q136c	♦	Jan Jun	20.5	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ● Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⚲ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Barrasford, Corp Exec Search Intl and Mondas (AIM), Ocean Res (Exln), John David Sports and Limelight (RtGn), Stolt Nielsen B (Trns). Deletions: Ennimex (BlMt), Fleming Intl High Inc & Zero Prf, River Plate Inc, Cap & Zero Prf (IvTs), Petroceltic (OilE), Manpower (SpSv) and Rexmore (Text).

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

	Init Charge	Notes	Selling Price	Buying Price	Yield Gr's	City-Line
Murray Johnstone (Dublin) Ltd Europa House, Harcourt St, Dublin 2 3531 407 2000						
Murray Global Accumulation Fund Plc						
Murray Financials Bond .. 2			103.55		6.49	-
Odey Asset Management Ltd 80 Harcourt Street, Dublin 2 00 3531 780 2400						
Odey European Gth Inc..			DM160.55		-	45084
Odey European Gth Acc.			DM161.14		-	45138
Odey European Gth Inc..			£63.66		-	51280
Odey European Gth Acc			£64.20		-	51284

	Selling Price	Buying Price	Yield Gross	City-Line
Baring Mutual (Ireland) Ltd				
Umbrella Fund Inc	$12.99	13.35	0.00	45874
Greater America Fund '92..	$006.84		0.00	45879
Pacific Emerging 94 A...	$88.97		0.00	52199
Pacific Emerging 94 B...	$84.01		0.00	52200
Latin America	$07.58		0.00	54437
Taiwan Fund NAV	$10.92		0.00	52195
Berkshire KITC Growth Fund Plc				
NAV Sep 13	$8.92		-	-

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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Old Mutual International (Guernsey) Ltd

PO Box 171, St. Peter Port Guernsey 01481 726726

	Selling Price	Buying Price	Yield Gross	City-Line
£ Stg Managed	£4.496	4.834	-	45610
£ European Stockmkt	£5.128	5.512	-	45611
£ UK Stockmkt	£5.109	5.493	-	45612
£ Sterling Special Mkt	£4.684	5.048	-	45613
£ UK Fixed Interest	£4.835	5.199	-	45614
£ Stg Money Mkt	£2.979	3.203	-	45615
£ Capital Guarantee	£1.719	1.848	-	45616
$ Dollar Managed	$3.413	3.670	-	45617
$ Intl Stockmkt	$4.389	4.718	-	45618
$ US Dollar Bond	$1.402	1.507	-	47851
$ Nth Am Stkmkt	$3.813	4.100	-	45619
$ Japan Stockmkt	$1.647	1.771	-	47829
$ Pacific Stockmkt	$5.442	5.851	-	45620
$ Emerging Asian Stockmkt	$2.325	2.501	-	47382
$ Hong Kong Stockmkt	$7.813	8.408	-	45621
$ Intl Fixed Interest	$3.895	4.188	-	45623
$ Intl Mngd Currency	$2.459	2.644	-	45625
$ Dollar Money Mkt	$2.273	2.444	-	45626
$ Latin American Stockmkt	$0.939	1.009	-	44475
$ Dollar Special Mkt	$1.071	1.152	-	49494
$ Emerging Market Bond	$1.157	1.287	-	54649
$ Emerging Stockmarkets	$0.854	0.918	-	54650
G'teed Futures1 Sep '98		$1.929	-	50234
G'teed Futures2 Mar '99		$1.585	-	47499
G'teed Futures3 Sep '99		$1.830	-	44476
G'teed Futures4 Dec 2000		$1.703	-	44477
G'teed Futures5 Dec 2001		$0.709	-	49408
Guaranteed 105 Futures Bond		$1.167	-	54651
Swiss Franc Managed	SFr7.090	7.624	-	50235
Swiss Franc Money Mkt	SFr1.296	1.394	-	45626
Cornerstone	SFr1.045	1.125	-	44470
DEM Deutschemark Mgd	DM2.695	2.898	-	43146
$ Secure Stkmkt Index	$0.934	1.006	-	-
£ Secure Stkmkt Index	£0.945	1.017	-	-
Bucket Managed Funds				
£ OFS Global Port	£1.357	1.459	-	45631
£ YRA Worldwide	£1.347	1.448	-	45632
$ YRA Dlr Worldwide	$1.547	1.663	-	42071
Young & Co Blend P'folio	$1.309	1.407	-	40346
Pioneer Mid Term App	$1.164	1.252	-	60236

AXA Asset Management

	Selling Price	Buying Price	Yield Gross	City-Line
AXA Valeurs	FFr160.50		-	58555
AXA Second Marche Croissance	FFr130.11		-	58556
AXA Europe Actions	FFr291.15		-	58559
AXA NPI	FFr121.30		-	58560

Acciones y Valores de Mexico SA de CV

	Selling Price	Buying Price	Yield Gross	City-Line
Accival Nov 19	Pesos62.73		0.25	55258

Africa Emerging Markets Fund

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Nov 6	$12.44		-	58392

Agribusiness Fund Management Co

	Selling Price	Buying Price	Yield Gross	City-Line
ABC Bond	$10.00		-	-
Cereal	$1.00		-	-

Alliance Capital

	Selling Price	Buying Price	Yield Gross	City-Line
International	$18.08	18.88	-	44680
International Class B	$17.17		-	42491
Quasar	$27.88	28.80	-	44671
Quasar Class B	$25.60		-	42628
Global Small Cap	$12.59	13.14	-	44673
Global Small Cap Class B	$11.97		-	50254

Allied Dunbar International Fund Mngrs (1000)F

	Selling Price	Buying Price	Yield Gross	City-Line
ADI Emerging Asia	$0.6970	0.7450	0	45528

Alnista Capital Management Ltd

Alnista Growth Fund and Unit Trust

	Selling Price	Buying Price	Yield Gross	City-Line
Class A	$96.24	99.21	-	-
Class B	$96.24	99.21	-	-

Alpha Fund Management Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Alpha Europe Oct 31	Ecu265.02		-	50256
Alpha Futures Oct 31	$247.85		-	50257
Alpha Global Oct 31	$1010.46		-	50258
Alpha Atlas Oct 31	$105.28		-	53201
Alpha Atlas Fd Ltd HYC Cl	$148.74		-	-
Alpha Atlas Desc Class Oct 31	$117.43		-	-

...

Worldwide Limited

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Oct 31	$78.19		-	49693

Xiphias International Investment Fd Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Xiphias Global Growth	$10.49		-	56490
Xiphias Int ECU Acc	Ecu1.4787		-	49023

Zanett Lombardier Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Oct 31	$703.54		-	56368

Zurich Investment Management AG

	Selling Price	Buying Price	Yield Gross	City-Line
European Focus Nov 15	DM120.964		-	-

Zweig-DiMenna International Limited

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Oct 31	$15518		-	-

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(*) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(☼) 0001 to 1100 hours
(●) 1101 to 1400 hours
(▲) 1401 to 1700 hours
(♦) 1701 to midnight
E Exit charge on sale of units
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
b Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities)
x Offered price includes all expenses except agent's commission.
z Previous day's price.
§§ Guernsey gross.
♦ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies
♠ Yield column shows annualised rates of NAV increase

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OTHER OFFSHORE FUNDS

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 22 / Sch)

BELGIUM/LUXEMBOURG (Nov 22 / Frs.)

CZECH REP (Nov 22 / Korona)

DENMARK (Nov 22 / Kr)

FINLAND (Nov 22 / Mks)

FRANCE (Nov 22 / Frs.)

GERMANY (Nov 22 / Dm.)

GREECE (Nov 22 / Drachma)

ITALY (Nov 22 / Lire)

NETHERLANDS (Nov 22 / Fls.)

NORWAY (Nov 22 / Kroner)

POLAND (Nov 22 / Zloty)

PORTUGAL (Nov 22 / Escudo)

SPAIN (Nov 22 / Pts.)

SWEDEN (Nov 22 / Kronor)

SWITZERLAND (Nov 22 / Frs.)

TURKEY (Nov 22 / TL Lira)

PACIFIC

JAPAN (Nov 22 / Yen)

AUSTRALIA (Nov 22 / AustS)

HONG KONG (Nov 22 / H.K.$)

INDONESIA (Nov 22 / Rupiah)

MALAYSIA (Nov 22 / MYR)

NEW ZEALAND (Nov 22 / NZ $)

SINGAPORE (Nov 22 / S$)

SOUTH KOREA (Nov 22 / Won)

TAIWAN (Nov 22 / TW $)

THAILAND (Nov 22 / Baht)

AFRICA

SOUTH AFRICA (Nov 22 / Rand)

NORTH AMERICA

CANADA

TORONTO (Nov 22 / Can $) 4 pm close

MONTREAL (Nov 22 / Can $) 4 pm close

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Prices in US $.

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INDICES

	Nov 22	Nov 21	Nov 20	1996 High	1996 Low
Argentina					
General(29/12/77)	17704.87	17615.87	17612.32	18881.95 20/5	16287.25 22/8
Australia					
All Ordinaries(1/1/80)	2383.4	2392.5	2392.7	2392.70 30/11	2098.10 17/7
All Mining(1/1/80)	947.2	954.4	951.5	1118.40 8/5	921.30 12/11
Austria					
Credit Aktien(30/12/84)	371.00	369.00	368.03	394.99 31/5	348.19 6/9
Traded Index(2/1/91)	1097.88	1085.79	1080.11	1142.84 28/5	975.27 2/1
Belgium					
BEL20(1/1/91)	1865.21	1863.55	1858.35	1872.17 18/11	1574.98 2/1
Brazil					
Bovespa(29/12/83)	66453.0	66259.0	65413.0	67000.00 21/10	42801.00 2/1
Canada					
Metals Minls♦(1975)	5498.05	5502.79	5525.98	5824.00 8/5	4697.47 16/1
Composite♦(1975)	5917.80	5922.20	5986.10	5986.10 20/11	4739.70 15/1
Portfolio§§(4/1/83)	2950.60	2944.86	2961.93	2961.93 20/11	2327.30 12/1
Chile					
IGPA Gen¥(31/12/80)	5211.10	5218.77	5228.59	5894.33 8/1	5171.28 18/11
Denmark					
CopenhagenSE(3/1/83)	450.92	449.84	448.93	454.28 21/10	380.40 2/1
Finland					
HEX General(28/12/90)	2402.14	2380.36	2372.88	2402.14 22/11	1851.87 16/1
France					
SBF 250(31/12/90)	1512.70	1502.89	1500.71	1512.70 22/11	1280.16 2/1
CAC 40(31/12/87)	2256.47	2233.57	2233.39	2256.47 22/11	1897.85 11/1
Germany					
FAZ Aktien(31/12/58)	859.77	859.05	866.63	869.85 15/11	818.58 2/1
Commerzbank(1/12/53)	2801.1	2797.0	2816.2	2828.70 15/11	2370.19 2/1
DAX‡(30/12/87)	2763.9	2772.34	2774.50	2798.80 15/11	2284.86 2/1
Greece					
Athens SE(31/12/80)	908.02	900.86	913.10	1017.36 4/3	872.98 7/8
Hong Kong					
Hang Seng(31/7/64)	13116.79	13098.58	13167.16	13167.16 20/11	10204.87 2/1
India					
BSE Sens.(1979)	2965.66	3043.50	3082.50	4069.29 18/6	2896.08 25/1
Indonesia					
Jakarta Comp.(10/8/82)	612.99	602.98	606.75	639.21 24/4	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	2633.67	2619.20	2630.84	2700.04 4/10	2234.81 2/1
Italy					
Banca Comm Ital(1972)	657.05	653.54	655.58	674.19 20/5	572.21 27/8
MIB General(2/1/95)	1115.0	1108.0	1112.0	1142.00 20/5	970.00 27/8
Japan					
Nikkei 225(16/5/49)	21216.11	21143.34	21180.06	22666.80 26/6	19734.70 13/3
Nikkei 300(1/10/82)	296.53	296.55	295.76	318.70 26/6	284.48 11/3
Topix(4/1/68)	1573.56	1570.61	1572.78	1722.13 26/6	1524.12 13/3
2nd Section(4/1/68)	1995.10	2004.10	2014.36	2251.48 2/7	1982.76 14/3
Malaysia					
KLSE Comp.(4/4/86)	1217.96	1205.72	1202.09	1217.96 22/11	983.18 2/1
Mexico					
IPC(Nov 1978)	(u)	3320.04	(c)	3433.75 27/8	2738.36 8/3
Netherland					
CBS TtlRtnGen(End 83)	710.7	703.0	702.9	710.70 22/11	538.50 2/1
CBS All Shr(End 83)	417.1	412.6	412.8	417.10 22/11	326.70 2/1
New Zealand					
Cap. 40(1/7/86)	2352.13	2363.40	2351.84	2387.78 21/10	2025.14 7/8
Norway					
Oslo SE(Ind)(2/1/83)	1565.74	1558.32	1564.09	1565.74 22/11	1259.68 30/1
Philippines					
Manila Comp(2/1/85)	3102.36	3098.11	3117.82	3374.49 5/7	2676.97 2/1
Portugal					
BVL 30(4/1/93)	2074.87	2062.09	2079.89	2082.34 18/11	1802.81 2/1
Singapore					
SES All-S'pore(2/4/75)	538.64	539.27	538.77	610.37 5/2	528.78 21/10
South Africa					
JSE Gold(28/9/78)	1680.9¥	1704.6	1712.5	2030.40 29/5	1346.40 2/1
JSE Ind.(28/9/78)	7952.0¥	7980.1	8077.3	8739.30 25/1	7692.40 21/8
South Korea					
KoreaCompEx**(4/1/80)	731.46	744.91	744.14	986.84 7/5	728.53 11/11
Spain					
Madrid SE(30/12/85)	394.20	391.41	391.35	394.20 22/11	323.75 11/1
Sweden					
AffarsvarldenGen(1/2/37)	2269.0	2254.4	2239.4	2280.80 22/11	1768.80 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1830.08	1818.66	1829.87	1840.85 15/11	1516.19 17/1
SBC General(1/4/87)	1305.74	1299.64	1305.99	1308.67 15/11	1114.47 26/1
Taiwan					
WeightedPr.**(30/6/66)	6781.38	6692.49	6729.36	6781.38 22/11	4690.22 6/2
Thailand					
Bangkok SET(30/4/75)	970.30	965.35	955.43	1415.04 6/2	905.34 15/10
Turkey					
Istanbul Cmp.(Jan 1986)	86983.9	87299.2	84595.1	87299.20 21/11	38778.38 2/1
WORLD					
MS Capital Intl(1/1/70)	832.5*	829.1	829.7	832.50 22/11	725.90 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1835.10	1827.09	1828.66	1835.10 22/11	1504.46 11/1
Euro Top-100(26/6/90)	1551.84	1537.02	1534.88	1551.84 22/11	1333.81 11/1
HSBC JC Drgn(31/12/88)	(u)	408.59	410.05	416.05 20/11	344.19 2/1
MS Emrgs Emrg(7/1/93)	158.80	159.22	159.54	165.61 4/7	147.35 2/1

INDEX FUTURES

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Nov	2290.0	2259.0	+20.5	2260.0	2225.0	13,524	21,817
Dec	2234.0	2262.0	+21.5	2263.0	2229.0	2,802	21,898
DAX							
Dec	2768.0	2772.5	+3.0	2775.5	2755.5	18,230	–
Mar	2786.0	2790.0	+1.5	2794.0	2778.5	321	–

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Nov	1762.00	1780.00	+24.00	1784.00	1761.75	5,435	9,814
Dec	1771.00	1792.25	+27.50	1797.00	1771.00	8,392	24,719
SOFFEX							
Dec	3858.0	3891.0	+31.5	3891.0	3852.0	3,799	20,302
Jan	3860.0	3867.0	+29.5	3900.5	3860.0	14	1,950

** Sat Nov 16: Taiwan Weighted Price 6596.10; Korea Comp Ex 756.67. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 21 - 2763.85 -2.43.

US INDICES

Dow Jones	Nov 22	Nov 21	Nov 20	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6471.76	6418.47	6430.02	6471.76 (22/11)	5032.94 (10/1)	6471.76 (22/11/96)	41.22 (8/7/32)
Home Bonds	103.76	104.02	103.65	106.89 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2265.34	2258.90	2273.63	2298.28 (22/5)	1882.71 (18/1)	2298.28 (22/5/96)	13.23 (8/7/32)
Utilities	235.40	234.49	234.63	235.98 (7/11)	204.85 (30/7)	256.46 (31/8/93)	10.50 (8/7/32)

DJ Ind. Day's high 6488.22 (6463.58) Low 6402.44 (6370.02) (Theoretical♦)
Day's high 6471.76 (6438.22) Low 6418.47 (6393.50) (Actual♦)

Standard and Poors	Nov 22	Nov 21	Nov 20	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	748.70	742.75†	743.95	748.70 (22/11)	598.48 (10/1)	748.70 (22/11/96)	4.40 (1/6/32)
Industrials¥	878.54	871.74	872.61	878.54 (22/11)	702.07 (15/1)	878.54 (22/11/96)	3.52 (30/6/32)
Financial	82.87	81.86	82.28	82.87 (22/11)	58.67 (10/1)	82.87 (22/11/96)	7.13 (4/8/74)
NYSE Comp.	394.66	392.25	392.80	392.80 (20/11)	321.41 (10/1)	392.80 (20/11/96)	4.64 (25/4/42)
Amex Mkt Val	590.77	587.76	587.19	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1274.24	1258.08	1264.94	1274.24 (22/11)	988.57 (15/1)	1274.24 (22/11/96)	54.87 (3/10/74)

RATIOS

	Nov 15	Nov 8	Nov 1	Year ago
Dow Jones Ind. Div. Yield	2.06	2.09	2.15	2.35
	Nov 20	Nov 13	Nov 6	Year ago
S & P Ind. Div. yield	1.84	1.87	1.89	2.38
S & P Ind. P/E ratio	22.99	22.64	23.58	19.03

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
CANTY Ads	12,480,800	25⅝	–
Micron	11,477,700	32¾	+1⅝
Vodafone	9,312,700	42¾	+¾
WMX Tech	7,610,600	35⅝	+2⅛
PepsiCo	7,518,200	30	–⅛
Nu Skin	5,773,904	28⅝	+5⅜
Occidl Pet	5,856,700	24	–1
IBM	4,077,500	158½	+4½
Eckerd	3,713,400	33⅝	+1
Walgrn Hlth	3,608,300	29¾	+1⅛

TRADING ACTIVITY

● Volume (million)

	Nov 22	Nov 21	Nov 20
New York SE	525.208	468.701	489.397
Amex	25.296	22.017	23.886
NASDAQ	(u)	588.136	577.849
NYSE			
Issues Traded	3,310	3,302	3,307
Rises	1,511	1,200	1,358
Falls	959	1,203	1,070
Unchanged	840	899	879
New Highs	264	200	262
New Lows	22	35	21

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	745.20	751.20	+5.75	751.90	745.80	69,558	189,644
Mar	753.00	758.20	+5.75	758.80	753.00	7,093	21,161

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	21150.0	21250.0	+80.0	21260.0	21080.0	17,259	212,267
Mar	21190.0	21290.0	+90.0	21290.0	21120.0	8,470	51,830

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Friday, November 22, 1996

	Stocks Traded	Closing Prices	Change on day
NEC Corp	5.6m	1380	+20
Mitsubishi Hvy	5.2m	918	+22
NKK Corp	3.9m	293	
Honda Motor	3.0m	3060	-20
Hitachi	2.9m	1050	
Sumitomo Mtl Ind	2.9m	310	+2
Toshiba Corp	2.9m	740	+7
Nippon Steel Cp	2.7m	352	+3
Nippon Express	2.5m	832	-14
Nippon Credit Bk	2.5m	300	-3

4 pm close November 22

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
30¼	17¾	AAR	0.48	1.7	28	1777	29⅛	28¾	29	+2½
46⅛	33	AMP	1.00	2.7	18	9422	37⅛	36¾	37	+⅛
97½	68	AMR			18	2787	91	90¾	91	+½
50½	37⅞	ASA x	1.40	3.7	25	415	38⅞	38¼	38¼	-½
55¾	38⅛	AbbtL	0.96	1.7	23	11574	u55¾	54⅞	55¾	+1
17¼	12¼	Abitibi Pr	0.40	2.7	7	241	15⅛	15	15	
20¼	13½	ABM Ind	0.36	2.0	17	223	17¼	17	17⅛	
22½	13⅞	Acpincela			10	21	20¾	20½	20½	
60	37¾	ACE Ltd	0.58	1.0	14	362	58⅝	58	58⅛	-¼
10⅜	9⅛	ACM Gvt In	0.90	8.8	8	170	10¼	10⅛	10¼	+⅛
7⅞	6⅝	ACM GvOpp	0.57	7.8		310	7⅜	7¼	7¼	
9⅞	8⅝	ACM Mgd	0.90	9.1		418	d9⅞	9¾	9⅞	
13⅞	6⅛	Acme Elect	0.32	4.5	54	49	7¼	7⅛	7⅛	
20⅞	13⅞	Acme Mkts			14	105	20	19⅝	19¾	+¼
33¾	27¾	Acordia	0.72	2.4	15	39	30¾	30½	30½	-¼
24¾	12	Acuson			107	343	22¾	22⅜	22⅝	+⅛
21⅛	17⅞	Adams Expr x	0.55	2.8	1	107	19⅞	19¾	19¾	-⅛
25¾	10¼	AdvMic			25	10165	24⅞	24½	24¾	+⅜
11⅛	8½	Advest Grp	0.18	1.8	7	98	10⅛	10	10⅛	
26⅜	9⅛	Advo Inc	0.10	0.8	67	105	12⅝	12¼	12⅝	
58⅝	41⅛	Aegon	1.45	2.6	17	150	56	55¾	56	+⅛
6¾	3½	Aerflx			3	377	4⅝	4½	4½	-⅛
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Continued on next page

NYSE PRICES

4 pm close November 22

Continued from previous page

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- X - Y - Z -

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
58¼	39¾	Xerox	1.16	2.4	43	17869	49⅝	49	49⅝	-⅛
47⅞	39¾	Xtra Corp	0.72	1.7	16	44	42¼	41½	42⅛	+⅝
25¼	20⅞	Yankee Egy	1.30	5.9	10	15	22	21⅞	21⅞	+⅛
53¾	43⅞	York Int	0.36	0.7	24	5527	52¾	52⅛	52½	-⅛
4	3	Zapata	0.14	3.9	10	30	3⅝	3⅝	3⅝	-⅛
25¼	5⅞	ZenithE			6	5933	13¾	12¼	13⅝	+1⅞
28⅞	21⅛	Zenith Nat	1.00	3.8	34	34	26½	26	26	-⅝
7¾	6½	Zenix Inc x	0.73	10.3		124	u7¾	7⅛	7⅛	
22⅞	15⅛	Zero	0.12	0.6	17	252	20⅛	20	20	-⅛
29	18½	Zurn Ind	0.40	1.4	23	210	u29	28	28⅞	+⅝
11⅞	10½	Zweig Fund	1.08	9.9		224	11	10⅞	10⅞	-⅛
9	8¼	Zweig Tot	0.84	10.0		292	8½	8⅜	8⅜	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ‡ Dealings suspended.

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AMEX PRICES

4 pm close November 22

[illegible]

NASDAQ NATIONAL MARKET

4 pm close November 22

[illegible]

FT GUIDE TO THE WEEK

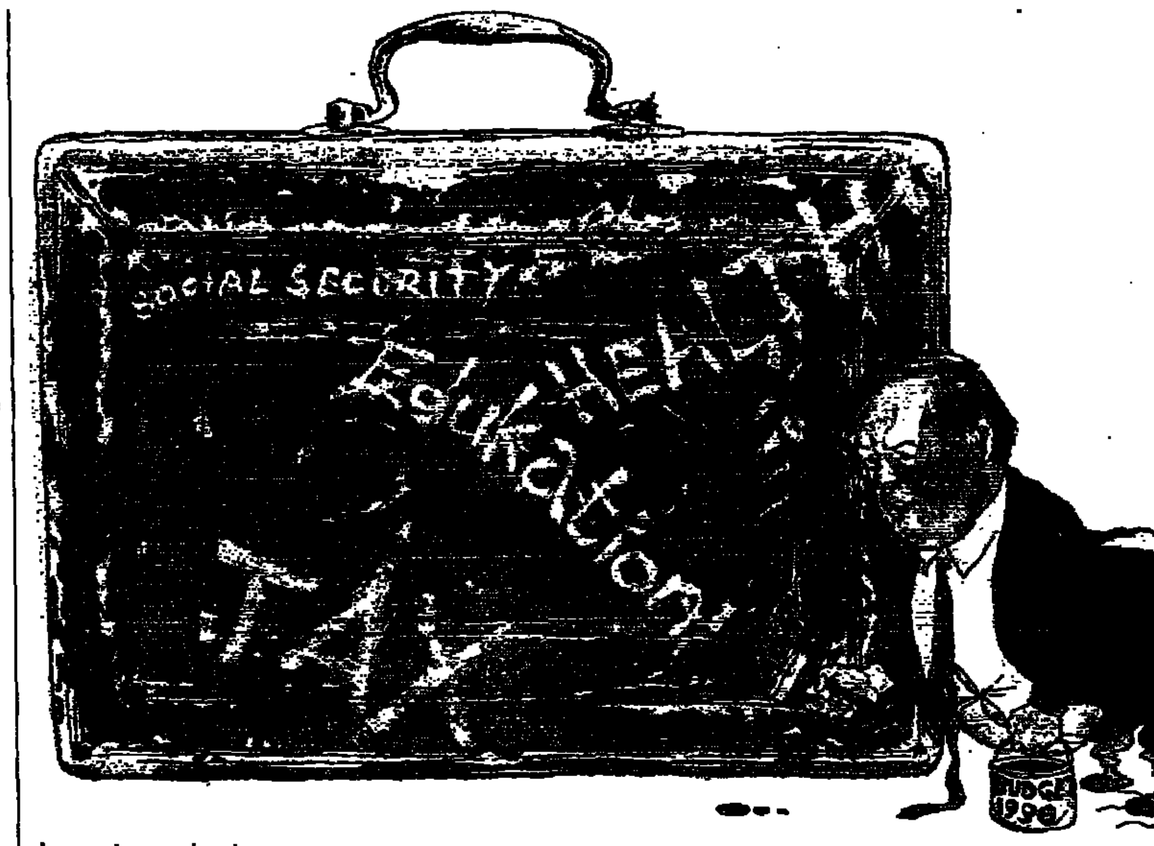
MONDAY 25

Turkey heads EU agenda

The European Union's relations with Turkey will dominate discussions at a meeting of EU foreign ministers in Brussels. Ireland, which holds the EU presidency, hopes to secure agreement on a statement outlining the priorities for future relations between the two parties. This could pave the way for the EU to release money which was to be paid to Turkey as part of a customs union pact agreed earlier this year. The funds were frozen at the insistence of Greece after Turkey occupied islands in the Aegean Sea.

Black Sea rim summit

Leaders from the 11 Black Sea rim countries hold a summit in Moscow. Joint projects by the Black Sea Economic Co-operation group, which was founded after the Soviet Union's collapse, include possible oil and gas pipeline routes. Environmental measures aimed at cleaning up the Black Sea – an ecological disaster – have also been discussed. However, co-operation has been undermined by Ukraine's unresolved border with Romania and Russia, and the potential for civil war in the Caucasus countries.



On Tuesday, Kenneth Clarke, the chancellor, outlines the British government's plans for taxation and spending in his fourth Budget

Cuba widens military ties

Cuba is hosting a four-day meeting of heads of military academies and defence experts from 11 Spanish-speaking nations. The conference is a further sign that the communist-ruled Caribbean island is expanding its ties. Delegates are expected from Argentina, Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Spain, Nicaragua, Equatorial Guinea and Mexico. Cuba, which for three decades received arms and training from the Soviet bloc, still co-operates militarily with socialist allies such as China and North Korea.

Biological weapons review

Nearly 140 countries will be represented in Geneva at the fourth review conference of the 1972 United Nations biological weapons convention, which will discuss how to deter cheating (to Dec 6). Unlike its more recent counterparts on chemical weapons and nuclear testing, the treaty – which bans the use, production and stockpiling of biological weapons – has no procedures to verify compliance. Biological weapons are hard to detect because they can be stored in tiny quantities and their agents and equipment often have peaceful uses.

Clinton visits Thailand

Bill Clinton, the US president, arrives in Thailand for 24 hours – the first US president to visit since Richard Nixon during the Vietnam war. Mr Clinton will sign a bilateral tax treaty under negotiation for more than two decades, make a "major policy address" on priorities in Asia for his second term – and meet with whoever is the Thai prime minister at the time. The task may fall to the outgoing premier, Banharn Silpa-archa. However, his successor, General Chavalit Yongchaiyudh, is rushing to complete the procedural steps to be sworn in by Mr Clinton's arrival.

Apec summit in Subic Bay

Leaders of the 18-member Asia Pacific Economic Co-operation forum meet for their annual summit in Subic Bay, the Philippines, to discuss regional trade liberalisation. The group, which includes the US, China, Japan and Australia, has pledged to eliminate trade barriers by early next century. It will unveil an action plan and discuss its stance for the World Trade Organisation's (WTO) first ministerial meeting in Singapore next month.

Mastering Enterprise

The 12-part FT Mastering Enterprise series on entrepreneurship continues in the Financial Times, with part two. The series covers every stage from starting a company to building and sustaining entrepreneurial attitudes in large organisations and the public sector. (UK and continental editions only; for orders, call 0171 538 1164 or fax 0171 537 3594, price £4 per copy or £30 for the series.)

FT Survey

Mobile Communications.

Holidays

Bosnia & Herzegovina, Surinam.

TUESDAY 26

Clarke presents UK budget

Kenneth Clarke, the British chancellor, sets out the government's plans for taxation and spending in his fourth Budget. Against a background of flagging government popularity but accelerating economic growth, he is expected to announce some small tax cuts. But these are expected to be matched by slightly larger cuts in public spending.

EU Citizens First initiative

Jacques Santer, the president of the European Commission, and Mario Monti, his single-market commissioner, launch the Citizens First initiative in Brussels. The aim is to inform Europeans of their rights and opportunities in the single market, such as employment in another member state.

Debate of the elephants

Theo Waigel, Germany's finance minister, kicks off a Bundestag debate on the 1997 federal budget. It will culminate on Friday in voting on the second and third readings of government plans for a 2.5 per cent cut in spending. Wednesday's discussion of the chancellery budget will be marked by the "debate of the elephants" – a traditionally heated discussion on government policy in which Helmut Kohl, the chancellor, will do battle with opposition leaders.

Saleroom

A 16th-century atlas by Gerard Mercator is expected to sell for more than £1m at Sotheby's in London. What makes the atlas remarkable is that two of its 50 maps are in the autograph hand of Mercator. It is believed the atlas was assembled around 1570 and used by Werner von Gymnich, his patron, on a tour of Europe. It is being sold by the British Rail Pension Fund.

FT Surveys

Italian Finance Industry and Exports; Global Custody; Biotechnology.

Holidays

Mongolia.

WEDNESDAY 27

Tankan survey released

The Bank of Japan releases its quarterly Tankan business survey, the most authoritative guide to Japan's short-term economic outlook and an important influence on monetary policy. It is expected to show a very modest improvement in business conditions by comparison with the August survey, but not enough to warrant increasing the record official discount rate of 0.5 per cent.

THURSDAY 28

Push to liberalise EU post

EU telecommunications ministers in Brussels renew attempts to agree on proposals to liberalise the EU's postal market. A Franco-German compromise proposal could gain the necessary qualified majority support. However, liberalisation supporters are urging ministers not to accept it. The compromise would delay talks on liberalising key sectors such as direct mail and outgoing cross-border mail until 2001. Ministers will also discuss the WTO talks on telecoms, risks posed by mobile phones and the problem of indecent material on the Internet.

French growth boost

France's struggling centre-right government is expected to receive some much-needed encouragement from preliminary third-quarter gross domestic product figures. In sharp contrast to the second quarter, when the economy contracted by 0.4 per cent, a reasonably positive outcome is anticipated – enough to keep the government on target to meet its forecast of 1.3 per cent growth for the year as a whole.

Strike in Greece

Greek trade unions stage a one-day general strike in protest at the socialist government's economic policies. As part of Greece's attempt to meet the Maastricht criteria for European monetary union, legislation is being prepared to cap spending by public sector enterprises and to tighten controls on lending to state-controlled corporations. The public sector unions, which would be most affected, dominate Greece's labour movement.

Referendum in Algeria

Algerians vote in a referendum to amend the constitution. The revisions would concentrate power in the presidency, reduce the leverage of the national assembly and seek to prevent political parties from exploiting religion. The vote comes amid a resurgence in civilian massacres. Security forces and armed Islamic groups have been locked in conflict since 1992, when the army cancelled elections that the Islamic Salvation Front (FIS) was about to win. The FIS is now banned.

FT Surveys

Greece; World Airports.

Holidays

Albania, Chad, Guam, Mauritania, Panama, Puerto Rico, United States (Thanksgiving Day), Virgin Islands.

FRIDAY 29

Stone of Destiny

To mark the return of the Stone of Destiny to Scotland, Edinburgh will be the scene of a ceremony said to be unmatched since the Queen visited Scotland after her coronation in 1953. The block of sandstone on which the kings and queens of Scotland and England have been crowned left Westminster Abbey earlier this month, 699 years after it was removed by Edward I. The army, navy and air force will take part in the ceremonies as the stone is taken from Holyrood Palace via St Giles Cathedral to Edinburgh Castle – where Prince Andrew will hand it over.

Holidays

Liberia, United States (many states), Vanuatu, Yugoslavia.

FT Survey

FT Guide to Health and Safety at Work (UK only).

SATURDAY 30

Asean considers expansion

The heads of state of the seven members of the Association of South-east Asian Nations meet informally in Jakarta, Indonesia. Topics of discussion are expected to include the entry of new member states to Asean, which groups Vietnam, Indonesia, Malaysia, Brunei, Singapore, Philippines, and Thailand.

Holidays

Barbados, Philippines, Yemen, Yugoslavia.

SUNDAY 1

Bucaram reveals his plan

Abdala Bucaram, the president of Ecuador, is expected finally to announce an economic plan nearly four months after taking office. The plan will include structural and budget reforms with a view to adopting a currency convertibility plan in 1997. There are likely to be measures to tighten financial sector regulation, make the labour market more flexible, increase domestic savings rates and balance the budget – with tax, telephone and electricity bill increases.

World Aids day

The theme for this year's World Aids day is "one world, one hope" – a call for global solidarity to halt the spread of the HIV virus, which causes Aids. An estimated 8,500 people worldwide are infected by HIV daily. The theme, which was chosen by the joint UN programme on HIV/Aids, is also designed to raise awareness of the virus, remove its stigma and fight complacency.

Compiled by Simon Strong.
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ECONOMIC DIARY

Other economic news

Monday: German consumer price data this week is expected to show subdued inflation in part because of lower oil prices.

Tuesday: US consumer confidence is expected to be buoyant this month. French household consumption is expected to have stabilised in October after falling in September.

Wednesday: The UK trade gap is forecast to have widened in September as strong domestic demand sucked in imports and exports began to suffer from the pound's recent rally.

Thursday: The recovery in Japanese industrial production is forecast to have gathered pace last month. Belgian consumer price inflation is expected to have stabilised after rising slightly recently. French GDP is expected to have risen strongly in the third quarter.

Friday: A slight fall in US personal incomes last month is expected to coincide with only a small increase in consumption. UK consumer credit is expected to have risen strongly last month, pointing to healthy activity on the high street.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	October supermarket sales**		0.9%
Nov 25	Japan	October department store sales**		2.3%
	France	October consumer price index final*	0.2%	0.25%
	France	October consumer price index final**	1.7%	1.75%
	Denmark	October wholesale price index*	0.2%	0.0%
	Denmark	October wholesale price index**	1.4%	1.0%
	US	October existing home sales		4.02m
Tues	France	September trade balance†	FFr10.0bn	FFr13.9bn
Nov 26	France	October household consumption†*	-0.2%	-1.5%
	US	November consumer confidence	107.9	106.2
	Spain	Q3 quarterly unemployment	22.0%	22.3%
Wed	Japan	October retail sales**	0.2%	0.0%
Nov 27	UK	September global visible trade	-£1.1bn	-£584m
	UK	October ex-EC visible trade	-£765m	-£851m
	US	Q3 gross domestic product preliminary	2.2%	2.2%
	US	Q3 GDP deflator preliminary	1.9%	1.9%
	US	Q3 after-tax corporate profit	0.7%	-0.2%
	Canada	October industrial prod price index*	0.1%	0.2%
	Canada	October raw materials price index	0.5%	1.5%
	US	October durable orders	-1.0%	4.6%
	US	October durable shipments		1.4%
	Spain	September industrial production**	0.8%	-1.6%
Thurs	Japan	October industrial production†	3.5%	1.5%
Nov 28	Japan	October shipments†		1.8%
	France	Q3 GDP preliminary***	0.8%	-0.4%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	Italy	October hourly wages	3.8%	3.6%
	Denmark	October consumer price index*	0.2%	0.5%
	Denmark	October consumer price index**	2.4%	2.3%
Fri	Aust'lia	October current account		-A$1.69bn
Nov 29	Japan	November CPI (Tokyo)**	0.0%	-0.1%
	Japan	November CPI ex-perishables**	-0.1%	-0.1%
	Japan	October CPI (national)**	0.3%	0.0%
	Japan	October CPI ex-perishables**	0.2%	0.2%
	Japan	October unemployment rate	3.3%	3.3%
	Japan	October job offers/seekers ratio	0.72	0.71
	Japan	October construction orders**		59.4%
	Japan	October housing starts**	10.7%	17.4%
	Japan	October construction starts**		14.9%
	UK	October consumer credit	£1.1bn	£1.067bn
	US	October personal income	0.1%	0.6%
	US	October personal consumption expend	0.3%	0.1%
	US	November agriculture prices		-3.4%
During the week...				
	Germany	November prelim cost of living, West*	0.1%	0.0%
	Germany	November prelim cost of living, West**	1.8%	1.5%
	Switzlnd	November federal CPI*	-0.1%	0.2%
	Switzlnd	November federal CPI**	0.7%	0.8%
	Belgium	November CPI*	0.1%	0.3%
	Belgium	November CPI**	2.3%	2.5%

*month on month, **year on year *** quarter on quarter

Statistics, courtesy MMS International.

MONDAY PRIZE CROSSWORD

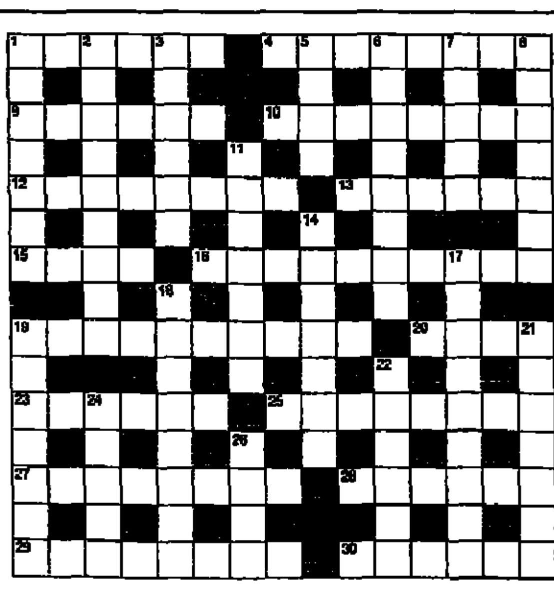
No.9,234 Set by DINMUTZ

ACROSS

1 Learner-driver would crack up in a Shropshire market-town (6)
4 Greek ladies trained this meek, patient woman (8)
9 Morning in Paris, grand for getting married (6)
10 Judge of a tipple-flute (8)
12 He and I, for example, are members (8)
13 A mark on a tree that is on fire (6)
15 Slough outbuilding (4)
16 Clean forks, surprisingly, for breakfast food? (10)
19 Eight nudes dancing and catching cold, from the sound of it (10)
20 In Rome, that is almost a bad date (4)
23 Reader in dialect, originally (6)
25 Where striker may stand for pay-rise? (8)
27 Standard charge in heraldry (8)
28 Slumped by primate's bone found on way to labyrinth? (6)
29 Still going on boards with navigational instruments (8)
30 Court and study not very resonant (6)

DOWN

1 Adherents to Hull, though showing weak set-pieces (7)
2 Plovers in Old Street flying about (9)
3 Big cats numbered in a pound? (6)
5 Animal on its back in long grass (4)
6 Surface-to-air missile for kids (8)
7 Girl upset daily (5)
8 Cockney's bald and stuffy (7)
11 Wasting a sporting prize (7)
14 Iago was such an old, old man (7)
17 Novel issue seized? (9)
18 Do people with it count woolly jumpers? (8)
19 Quantities of fuel needed for old traders losing energy (7)
21 Large hat? Let it stay on boy! (7)
22 Cave-man supporting Greek leaders (6)
24 Volume of old manuscripts making canon cross (5)
26 Easy pace of David Copperfield to his Aunt Betsy (4)



A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday December 5, marked Monday Crossword 9,234 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday December 9. Please allow 28 days for delivery of prizes.

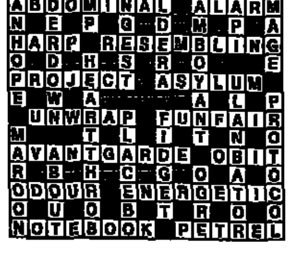
Name..

Address..

Winners 9,222

Bob Crawford, Llangarron, Herefordshire
Peggy Barker, Cressing, Essex
P. Brockbank, Southport
M.E. Gill, Cobham, Surrey
Mrs A.G. Olsen, Great Brington, Northampton
E.P. Wilson, Heaton Moor, Cheshire

Solution 9,222



JOTTER PAD